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Cover 1, p. 2-3, 106, 108, 110,

112, 116-118, 121-122, 124,

128, 130, 132, 156, 158, 160,

162, 164-165, 169-170, 172, 176.

NOVEMBER 10, 1980 TWO DOLLARS

Forbes

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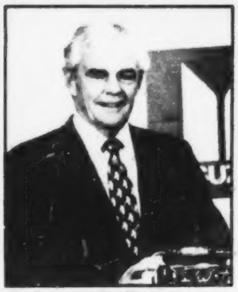
Forbes

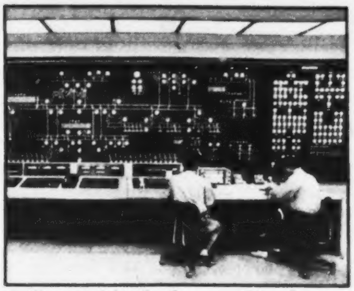
November 10, 1980
Volume 126, Number 10

178 Cover Story: Globe-trotting with Philip Morris' supersalesman CEO.

36 "Our flat-out aim is to go after Merck, Lilly—everybody and his brother."



38 Isuzu: In Japanese it means fifty bells; in the U.S. it means diesels.



57 Returning the favor with a few strings attached.

Features

Companies: Westinghouse
In buying Teleprompter, Chairman Robert Kirby has to be given credit for a bold gamble. Unfortunately, Westinghouse gambles haven't always paid off. 33

The Market: How Silly Can You Get?
Genentech is not the only sign of wretched excess in the stock market. 34

Companies: Warner-Lambert
About-face, says Ward Hagan. 36

Companies: Isuzu Motors
Another invader from Japan? Not really, says Isuzu; we're here to fight Volkswagen. 38

Companies: Kimberly-Clark
A winner, maybe, in the toxic shock controversy. 39

Regulation: Change In The Air?
The Clean Air Act is up for renewal next year, and this time, environmentalists may be on the defensive. 45

Bonds: Making Lemonade
To get tax advantages, a few aggressive banks are taking security losses instead of hiding them. 46

Companies: Colt Industries
The fine art of falling upward. 52

Steel: Not For Old Times' Sake
The Japanese are helping the U.S., for a price. 57

Companies: Koppers Co.
In a year and a half, says Fletcher Byrom, "You'll know whether what I say is the truth or baloney." 61

Silicon: A Shortage Looming?
Two industries that don't speak the same language. 66

Crime: Rooting Out The Cockroaches
The notorious Teamsters Central States Pension Fund is said to be clean now. Is it? 69

The Streetwalker: Remember The Gambling Stocks?
A lot of water has been wrung out of these once high-flying issues, and the "little man" was the victim. So? Maybe it's time to take another look. 84

Economics: Was Milton Gilbert Right?
The late economist was a brilliant but little-known man. His posthumously published book, *Quest For World Monetary Order*, is stirring lively controversy. 89

Special Report: The Up-And-Comers

Companies: Grotnes Metalforming Systems
Life begins at 60—with a shock. 92

Companies: Wicks 'N' Sticks
Harold Otto makes money by taking candles seriously. .100

Statistical Spotlight: The Class Of 1980
Nearly 400 companies you may hear from again. 106

Broadcasting: Spanish Gold
It comes in both AM and FM. 151

Statistical Spotlight: Stocks The Analysts Like
Wall Street's fearless forecasts for 1981. 156

Cover Story: Philip Morris Inc.
Put George Weissman in a Stetson and he could pass for the Marlboro Man. Before he joined Philip Morris he put in time as a press agent for Sam Goldwyn. Now, as CEO he's putting high-class showmanship and high-class finance together in pursuit of what many might consider an impossible goal. 178

Companies: R.J. Reynolds Industries
Who's going to buy those 50 billion extra cigarettes? ...190

Companies: R.H. Macy
It wowed the Big Apple. Will it play in Toledo? 197

69 It's easier, it seems, to get the mob out than to keep it out.

100 The lesson: Let other people give you a hand.

151 A $50 billion market in the world's fifth-largest Spanish-speaking population.

190 If we're smoking less, why is R.J. Reynolds doubling its capital expenditures on tobacco?

Money And Investments

Companies: Duff Truck Line
Gene Duff's green-and-orange trucks have been a fixture in Lima, Ohio for over 50 years. Now he—and thousands of other small truckers—face a grim future. 200

As I See It: Regulator Charles Gray
The Environmental Protection Agency's chief watchdog for auto pollution, safety and mileage tells the auto industry: Don't think we'll get lenient now. 221

The Streetwalker: Looking Across The Valley
For auto insurers, it's deep but not endless. 222

The Money Men: Lawrence Huntington
Once a stodgy carriage-trade bank, Fiduciary Trust Co. and its president—blue blood and all—are luring clients from abroad in record numbers. 229

The Numbers Game: Cannibalizing Capital
By one standard at least, companies as big as Ford, Polaroid and AT&T are paying dividends with dollars they haven't earned. 230

Personal Affairs

Of creeping tax brackets, "worthless" stock, and what you can—and can't—assume about assumable mortgages. Plus a special report on what to do when the time comes, like it or not, when you have to cope with Washington. 241

Faces Behind The Figures

John B.M. Place, *Crocker National Bank* 250
Gifford Fong, *Gifford Fong Associates* 250
Robert C. Hall, *Satellite Business Systems* 250
Richard C. Burcaw, *EAB Venture Corp.* 252
Thomas F. Burchill, *RKO Radio Network* 252
William Schallert, *Screen Actors Guild* 254
Gerald G. Probst, *Sperry Corp.* 254
Pascal Levesque, *High Voltage Engineering Corp.* 254
Keith Fuller, *Associated Press* 255
C.R. (Bob) Palmer, *Rowan Cos.* 255
David Ibarra, *Mexican Finance Minister* 256
Stanley Mann, *Diamond Industries, Inc.* 256

The Economy: Bad News For Borrowers
What's the significance of the runup in interest rates? Most commentators have missed it. 259

Columnists

Ben Weberman 260
Heinz H. Biel 262
Richard B. Hoey 264
John Train 266
Srully Blotnick 268
Stanley W. Angrist 270
Martin T. Sosnoff 272
Ashby Bladen 274

Departments

Side Lines 6
Trends 8
Follow-Through 14
Readers Say 18
Fact and Comment.......25
Other Comments 28
Editorial Index 276
Flashbacks 277
Thoughts..........................280

Photos: p. 6, 248, 252 right, 254 bottom, Robert Forbes; pp. 8, 57, Kaku Kurita/Gamma Liaison; p. 14, Lee Lockwood/Black Star; p. 27, Judy Morehead; p. 37, Dick Luria; p. 38, Jim McHugh; p. 40, Kimberly-Clark; Procter & Gamble; p. 45, UPI; p. 46, Matt Anderson; pp. 52, 178, 197 right, 256 right, Bill Kelly; p. 69, Flip Schulke/Black Star; pp. 70, 72 right, 77, Wide World; pp. 94, 96, W. Franklin McMahon; pp. 100, 105, 255 bottom, John Grossman; p. 151, Ray Fisher; pp. 179, 181 bottom, 183, 185, 188 bottom, Peter Tatiner/Gamma Liaison; pp. 180 top, 181 top, 252 left, Jim Pickerell; p. 182 top, Steve Murray; p. 184 top, T. Mike Fletcher; p. 197 left, Chris Springmann/Black Star; p. 200, Tom Hubbard/Black Star; p. 221, J. Edward Bailey, p. 224, Patrick Pagnano; p. 229, Leslie Wong; p. 283, Jim Moore/Gamma Liaison; pp. 243, 247, Leroy Woodson Jr.; p. 250 top, John McDermott; p. 250 bottom, Dick Tolbert; p. 252 bottom, Michael Abramson; p. 254 top, James Caccavo; p. 255 left, Ivan Massar/Black Star, p. 256 left, Paul Conklin

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The Up-And-Comers

Here's the cream of the crop of a growing number of promising small growth companies. Some of them in all likelihood will rank in the FORBES 500 before the decade is out.

The corporate baby boom

AS THE STOCK MARKET has been telling us for some time, this is the heyday of the small growth company. Last year at this time we had 310 companies in the FORBES class of '79 list of Up-And-Comers. This time, using the same criteria, we came up with 388 companies. That's better than a 25% increase. Clearly, the giant corporations don't own the world. They are being jostled constantly by the Up-And-Comers.

Our criteria for the Up-And-Comers list? For starters, we decided that any company with more than $100 million in sales had already outgrown Up-And-Comer status. Then we said that an Up-And-Comer company ought to be able to show an average return on equity for the past five years of at least 15%. That's well ahead of inflation and indicates at least the promise of self-financing capability, which could be crucial for survival in the years ahead.

To keep that profitability requirement meaningful and screen out higher than average risk, we eliminated highly leveraged companies whose debt as a percent of book value was greater than 100%.

Applying a minimum five-year average earnings growth rate of 15% seemed logical from a glance at the track records. That would mean an Up-And-Comer with $100 million in sales could, within a decade, qualify for the FORBES Annual Report on American Industry. An Up-And-Comer no longer, it would have become a major American corporation.

There have been quite a few changes in the Up-And-Comers list since last year. Thirty-one of the companies in the top 50 this year were not there last year. Three of the companies that were in the top 50 last year now have sales in excess of $100 million and have graduated.

No fewer than 51 companies on the list averaged 35% or better on their five-year average return on equity. Stop and think what that means. A company whose earnings are compounding at 35% a year will find that its book value doubles in less than three years. Long-term debt as a percent of book value was zero for no fewer than 67 of the companies below—proof positive that emerging companies do not in fact always need large chunks of debt in order to grow.

While a fair number of the Up-And-Comers listed have price/earnings multiples up in the stratosphere, as one might expect, a goodly number of star performers sell well below the Dow Jones industrial multiple of 8. Up-And-Comers come from all walks of life. One would expect the list to be full of high-technology, natural resource and health care companies, and it is. But there are nearly as many in more mundane fields such as railroad roller bearings (Brenco), personal care products (Minnetonka), rubber footwear (Kaysam) and brickmaking (Merry Cos.). There is something for everyone on the list. While it would be unreasonable to expect most of these companies to sustain such growth rates through the Eighties, they have the kind of head start now that it usually takes to make the big leagues.—*Steve Kichen*

Up-And-Comers class of '80

Almost 400 small companies with promising track records in growth and profitability over the past five years.

Company principal business	Return on equity 5-year average	Return on equity latest 12 months	EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
Mylan Labs pharmaceutical products	139.2%	24.2%	124%	$24.4	$1.45	5.9%	$4.14	94%	7¾	$1.00	7.7
Key Pharmaceuticals ethical drugs	124.6	21.0	66	13.6	1.59	11.7	1.05	4	25	0.22	113.6
Adage computer products	80.1	24.7	32	10.3	0.61	5.9	3.12	55	33½	0.77	43.5
Semicon electronics	73.1	34.6	106	23.2	1.21	5.2	2.40	69	14	0.83	16.8
Quality Care health care service	69.7	5.7	37	27.4	0.51	1.9	2.29	77	6⅝	0.13	50.9

*Latest fiscal year.
Source: Standard & Poor's.

Up-And-Comers class of '80

Company principal business	Return on equity		EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
	5-year average	latest 12 months									
WD-40 lubricants	64.6%	47.0%	30%	$35.2	$5.50	15.6%	$4.74	0%	35	$2.23	15.6
Lin Broadcasting broadcasting	63.5	55.9	26	58.0	13.47	23.2	9.25	88	61½	5.17	11.8
Quotron Systems financial information services	63.2	37.3	88	47.4	6.61	13.9	5.84	67	48½	2.18	22.2
Mark IV Industries building products	59.2	10.7	88	24.9	0.66	2.7	3.74	60	3	0.40	7.5
Marine Petroleum Trust oil & gas royalties	58.2	290.9	43	5.4	5.12	94.8	0.88	0	36	2.56	14.0
Sage Energy oil & gas exploration	54.6	28.7	49	33.5	6.04	18.1	3.42	82	35¼	0.98	35.9
Marvin Josephson Assoc talent agency	53.4	22.2	107	38.1	3.62	9.5	6.32	30	12½	1.40	8.9
Standard Microsystems electronics	52.1	15.7	59	14.9	2.31	15.5	2.54	8	13	0.40	32.5
Dranetz Engineering Labs electronics	52.0	37.5	144	11.9	1.66	14.0	3.84	4	28½	1.44	19.7
Kratos precision instruments	51.6	34.7	38	41.8	2.56	6.1	3.75	58	21¼	1.30	16.3
Guaranty National insurance	50.5	31.4	57	41.8	7.39	17.7	8.34	0	18¼	2.62	6.9
Staff Builders temporary personnel	50.2	46.7	122	55.2	1.86	3.4	1.82	2	17⅛	0.85	20.1
Plenum Publishing publishing	49.5	42.4	31	23.4	3.25	13.9	4.13	3	14½	1.75	8.2
SafeCard Services credit-card loss services	48.6	30.9	97	12.5	1.96	15.7	6.83	0	33¾	2.11	15.9
Powell Industries electrical equipment	45.9	16.8	53	40.1	1.74	4.3	1.49	16	6¾	0.25	27.0
Alico agriculture	44.5	32.6	64	17.2	5.35	31.1	7.67	16	33	2.50	13.2
PBA freight forwarding	44.5	26.5	43	87.1	1.64	1.9	4.57	0	19½	1.21	16.1
Campbell Red Lake† gold mining	43.4	54.6	36	70.6	27.32	39.0	4.78	0	87	2.61	33.3
Rollins Burdick Hunter insurance broker	43.4	31.5	16	67.7	9.79	14.5	7.21	3	28	2.27	12.3
Aztec Manufacturing oilfield products	42.9	33.7	41	22.3	3.46	15.5	4.09	12	28¾	1.38	20.8
United Keno Hill Mines silver & lead mining	42.9	56.9	65	53.2	20.73	38.9	14.07	0	50⅛	8.00	6.2
Shopsmith power tools	42.8	25.3	54	30.1	1.45	4.8	3.32	29	8¾	0.84	10.4
Comprehensive Care health care services	42.5	40.3	43	39.0	2.63	6.7	2.33	87	24¾	0.94	26.3
Interface Mechanisms price scanning systems	41.5	25.6	73	10.2	0.86	8.5	1.95	0	17¼	0.50	34.5
Bolar Pharmaceutical ethical drugs	41.4	36.4	54	8.8	1.66	18.8	2.94	0	34½	1.07	32.2
Tucker Drilling oil & gas drilling	41.2	29.9	38	18.1	1.56	8.6	4.52	25	23¼	1.35	17.2
Alabama Tenn Nat Gas natural gas pipeline	39.7	38.1	28	69.9	4.89	7.0	12.52	11	39¼	4.77	8.2
Great Northern Iron Ore Prop royalty income from mines	39.3	43.1	26	10.5	5.83	55.5	8.38	0	31¾	3.61	8.7
Day Mines silver, gold, lead, zinc mines	39.2	64.8	176	27.1	9.92	36.6	6.77	0	42⅞	4.39	9.7
CACI technical consulting	38.3	32.6	47	34.7	1.35	3.9	4.02	5	21	1.31	16.0
Chuck Barris Productions TV production	38.1	38.6	153	38.5	6.32	16.4	2.59	1	3⅞	1.00	3.8
Analogic computer products	38.0	32.3	84	48.6	4.53	9.3	2.51	34	30½	0.81	37.6
Sensormatic Electronics electronics	37.9	20.0	37	38.9	6.03	15.5	5.01	91	32½	1.00	32.5
Shared Medical Systems hospital management services	37.8	26.8	26	82.8	10.76	13.0	3.69	18	25¼	0.99	25.5

*Latest fiscal year. †Figures are in Canadian dollars.

Up-And-Comers class of '80

Company principal business	Return on equity 5-year average	Return on equity latest 12 months	EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
Kennington, Ltd apparel	37.3%	33.0%	35%	$94.7	$14.70	15.5%	$8.51	0%	9½	$2.81	3.3
Kulicke & Soffa Industries precision instruments & tools	37.3	41.9	149	36.3	6.07	16.7	5.54	16	23½	2.32	10.1
Redcor Corp electronics	37.3	33.9	86	24.5	2.61	10.6	2.80	3	16	0.95	16.8
National Environmental Control solid waste management	36.8	8.2	21	8.5	0.11	1.3	0.61	42	4⅛	0.05	82.4
Schaak Electronics electronics	36.7	16.0	29	45.6	1.46	3.2	5.25	33	12¼	0.84	14.5
Kroy Industries plastic molds & products	36.3	42.3	55	19.0	4.07	21.4	3.36	0	58	1.42	40.8
Automated Marketing Systems marketing services	36.0	21.1	23	25.9	1.90	7.4	8.93	9	8½	1.88	4.5
US Surgical health care products	35.9	18.2	43	60.9	5.14	8.4	9.76	68	47½	1.78	26.6
Chem-Nuclear Systems treatment of nuclear waste	35.4	37.5	71	46.4	4.50	9.7	5.42	10	38½	2.03	18.9
Amer Income Life Ins insurance	35.2	26.9	48	75.1	11.33	15.1	6.76	0	14⅞	1.82	8.1
Auto-trol Technology computer graphics	35.2	35.6	85	33.5	3.44	10.3	4.44	24	57	1.58	36.0
CPT computer equipment	35.0	19.3	37	58.9	6.11	10.4	7.06	89	33¼	1.36	24.4
Jhirmack Enterprises personal products	34.9	15.7	20	21.6	2.65	12.3	5.91	33	8⅞	0.93	9.5
Automated Medical Labs health care services	34.7	19.0	92	12.6	0.66	5.3	1.47	45	7⅞	0.28	28.1
Impell service to nuclear industry	34.7	31.0	32	34.2	4.61	13.5	7.14	2	40¾	2.21	18.4
AT Cross writing instruments	34.5	28.2	24	95.1	14.63	15.4	12.87	0	41⅜	3.63	11.3
Dynatech health care products	34.2	25.3	26	38.0	3.04	8.0	5.18	38	28¾	1.31	21.9
Petroleum Equipment Tools oilfield tool & equipment rental	34.0	29.9	59	58.1	8.13	14.0	7.89	16	39¾	2.36	16.8
Sykes Datatronics computer products	33.9	21.2	99	12.3	1.49	12.1	5.53	7	45¼	1.17	38.6
Intermedics health care products	33.8	43.8	72	77.7	7.90	10.2	2.72	55	26¼	1.19	22.0
Pinehurst reinsurance	33.7	15.5	106	42.3	1.93	4.6	4.32	19	7	0.67	10.4
Atlantic Oil jewelry casting, oil & gas	33.6	20.4	52	9.4	0.64	6.8	2.06	82	18¼	0.42	43.4
Cafeterias cafeterias	33.3	25.2	28	91.3	8.02	8.8	7.07	20	26	1.78	14.6
Prime Motor Inns motor inns, refreshments	33.3	33.5	124	36.0	4.37	12.2	3.55	83	15⅞	1.19	13.3
T-Bar computer products	33.3	15.3	31	18.6	1.55	8.4	5.69	38	19½	0.87	22.4
Microdyne electronics	32.9	30.0	79	13.2	2.22	16.8	4.93	8	28½	1.48	19.2
Magnetic Controls telecommunications equipment	32.8	22.1	44	40.0	2.96	7.4	6.91	34	25¼	1.53	16.5
Save-Way Industries personal care products	32.7	35.0	59	41.8	4.63	11.1	3.31	46	13⅜	1.16	11.5
Pic 'n' Save retail	32.6	29.5	31	85.3	10.26	12.0	8.10	4	37	2.39	15.4
International Controls electronics	32.3	32.9	26	89.3	4.17	4.7	4.53	100	17½	1.49	11.7
Sealed Air packaging	32.1	24.9	23	70.4	4.83	6.9	8.83	5	26⅞	2.20	12.2
Aydin electronics	32.0	23.9	33	64.2	4.06	6.3	6.91	12	35¼	1.65	21.3
Natl Computer Systems computer equipment	31.9	20.8	28	32.8	3.70	11.3	6.30	59	29	1.31	22.1
Spectrum Control electronic pollution control	31.9	27.5	21	9.7	0.82	8.4	1.78	54	14½	0.49	29.5

*Latest fiscal year.

Up-And-Comers class of '80

Company principal business	Return on equity 5-year average	 latest 12 months	EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
Pacesetter residential improvement prods	31.8%	18.5%	29%	$42.6	$3.81	8.9%	$5.51	1%	9¼	$1.02	9.0
Lear Petroleum oil & gas	31.6	13.0	67	78.3	5.01	6.4	8.64	68	28¾	1.12	25.6
Cyclotron nuclear equipment	31.4	19.5	34	8.1	0.96	11.9	3.49	33	19¼	0.68	28.3
Callahan Mining silver mining	31.3	47.4	57	63.5	19.45	30.6	7.11	5	37¾	3.37	11.2
Crestmont Oil & Gas oil, gas & coal	31.2	39.4	33	9.1	2.58	28.2	2.89	7	25	1.14	21.9
Preway fireplaces and space heaters	31.0	29.2	36	57.5	6.62	11.5	10.28	50	21¼	3.00	7.0
JB's Big Boy Family restaurants	30.9	13.4	15	34.2	0.88	2.6	3.21	76	2	0.43	4.6
Gray Communications broadcasting	30.5	26.7	29	23.8	1.75	7.4	18.39	14	54½	4.91	11.0
Ambassador Group insurance	30.2	28.3	49	32.1	5.18	16.2	5.65	5	14¾	1.60	9.2
Mary Kay Cosmetics cosmetics	30.2	39.7	27	91.4	9.63	10.5	4.58	12	31⅜	1.82	17.2
Silver Dollar Mining silver, antimony, copper mining	30.2	33.8	71	4.2	1.77	42.3	3.05	0	15⅝	1.03	15.1
Floating Point Systems computer products	30.0	19.6	113	29.6	2.01	6.8	5.37	20	28¾	1.05	27.3
Merry Cos brick manufacturing	30.0	14.9	57	25.2	4.04	16.1	11.15	55	11	1.66	6.6
Reliable Investors insurance	29.7	22.7	28	32.2	4.35	13.5	12.13	27	10¼	2.75	3.7
North Atlantic Industries electronics	29.6	16.7	52	14.0	0.74	5.3	3.12	54	6¾	0.52	12.9
Health-Mor vacuum cleaners	29.5	19.5	27	29.1	3.25	11.2	7.94	1	7⅜	1.55	4.7
Grey Advertising advertising	29.4	24.1	42	88.7	6.43	7.2	44.78	2	59	10.79	5.4
Statesman Group insurance	29.1	22.7	28	76.8	4.32	5.6	5.59	36	6¼	1.27	4.9
Drexler Technology supplies for semicond inds	28.9	23.2	109	16.8	1.30	7.7	3.84	0	25¼	0.89	28.3
Brenco Inc RR equipment	28.7	27.9	23	74.7	13.98	18.7	5.49	0	23¼	1.53	15.1
Eldon Industries soldering irons	28.7	16.4	18	47.2	2.27	4.8	9.50	32	7	1.56	4.4
Frost & Sullivan publishing	28.6	40.7	73	5.5	0.57	10.4	0.86	0	3½	0.35	10.0
Investment Corp America bank merchandise distribution	28.5	29.4	22	27.7	2.27	8.2	7.62	31	9¼	2.24	4.1
Central National Financial insurance	28.4	27.0	88	25.8	2.29	8.9	9.47	0	11¼	2.56	4.3
Computer Products electronics	28.4	16.5	39	14.0	1.47	10.5	3.75	7	15⅛	0.62	24.3
Nicolet Instrument precision instruments	28.3	19.4	25	56.2	4.23	7.5	5.31	29	27¼	1.03	26.4
Minnetonka personal care products	28.1	28.3	121	25.1	1.52	6.0	3.64	5	30½	1.03	29.6
Penril precision instruments	28.1	26.0	32	22.7	1.45	6.4	4.93	53	12⅛	1.28	9.4
Dreyfus finance	27.9	34.4	36	34.2	5.84	17.1	14.54	0	42⅜	5.00	8.4
FlightSafety International training equipment	27.9	24.4	27	43.8	9.27	21.2	4.71	33	35½	1.15	30.8
O'Sullivan footwear supplies	27.7	18.8	18	58.3	3.59	6.2	16.98	0	22	3.20	6.8
Fluorocarbon nonpetroleum-based plastics	27.6	24.7	39	62.6	3.83	6.1	6.67	52	22¾	1.65	13.7
Autodynamics training equipment	27.4	25.9	38	4.8	0.38	7.9	3.21	8	10¼	0.83	12.3
Dataram computer equipment	27.4	26.4	121	22.1	2.92	13.2	4.74	12	10⅜	1.25	8.2

*Latest fiscal year.

Up-And-Comers class of '80

Company principal business	Return on equity 5-year average	Return on equity latest 12 months	EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
Exeter Oil oil	27.3%	55.8%	15%	$2.2	$0.80	36.2%	$1.54	0%	20⅞	$0.86	24.2
Southern Bancorp SC bank	26.7	23.9	30	49.0	5.70	11.6	8.80	25	10¾	2.10	5.1
United Fire & Casualty insurance	26.7	20.3	28	49.8	4.27	8.6	18.06	1	27¼	3.66	7.4
Avantek electronics	26.6	22.7	45	39.8	4.26	10.7	6.93	0	47¼	1.57	30.0
Brennand-Paige Industries wire & cable	26.6	30.5	25	52.6	4.17	7.9	8.91	46	14	2.72	5.1
Summit Energy oil & gas exp development	26.6	25.9	115	3.5	1.70	48.7	4.60	0	25	1.19	21.0
Veeco Instruments precision instruments	26.6	25.4	56	82.6	9.12	11.0	6.38	19	43¼	1.62	26.6
HCC Industries hermetic seals	26.5	31.0	44	16.3	1.44	8.9	3.10	17	15⅞	0.96	16.5
Pacific Scientific aerospace	26.5	27.6	55	42.7	5.16	12.1	5.69	29	22⅞	1.57	14.5
MGF Oil oil & gas exploration & prod	26.2	7.7	15	47.9	1.50	3.1	9.69	54	25⅛	0.75	33.4
MTS Systems high performance testing sys	26.2	20.2	32	55.8	4.49	8.0	14.01	64	33	2.83	11.6
California Microwave telecommunications	26.1	11.5	21	38.1	1.26	3.3	5.38	62	16¾	0.62	27.0
Penn Engineering & Mfg fasteners	26.0	23.7	35	26.9	5.04	18.7	12.59	0	36⅝	2.98	12.2
Solon Automated Services apartment house coin-op laundry	25.8	17.8	17	66.4	5.34	8.0	10.51	75	7⅛	1.87	3.8
Transport Life Insurance insurance	25.6	26.3	34	84.8	7.38	8.7	10.79	27	16⅞	2.84	5.9
Conner Homes mobile homes	25.5	13.7	53	43.4	3.80	8.8	8.38	33	11¼	1.15	9.7
Data Card plastic card processing equip	25.5	19.4	33	66.3	6.23	9.4	6.48	11	22⅞	1.26	18.1
Comshare computer services	25.3	25.2	32	78.2	4.16	5.3	4.37	85	20	1.10	18.1
General Semiconductor electronics	25.3	22.3	27	11.5	1.25	10.9	3.58	33	19⅝	0.80	24.5
Norstan precision gears	25.3	26.7	39	17.5	1.25	7.1	3.78	51	23½	1.01	23.2
Base Ten Systems electronics	25.2	18.7	125	8.1	0.49	6.1	6.37	8	24½	1.19	20.5
National Gas & Oil natural gas	25.2	21.7	24	33.5	2.98	8.9	15.92	2	27¾	3.45	8.0
Children's World daycare centers	24.9	25.9	55	11.4	0.69	6.0	1.39	46	6	0.36	16.6
Lawson Products fasteners	24.9	19.6	15	77.5	7.40	9.6	11.35	0	26¼	2.23	11.7
Vertipile textiles	24.9	30.1	116	21.9	1.80	8.2	4.32	31	4¾	1.30	3.6
RLI insurance	24.8	26.6	29	21.9	2.69	12.3	7.66	0	14	2.04	6.8
Tenney Engineering precision instruments	24.8	22.1	64	10.7	0.59	5.5	2.31	60	6¾	0.51	13.2
General Datacomm Industries computer equipment	24.7	18.5	80	41.4	3.24	7.8	5.95	42	28½	1.10	25.9
Olsten temporary personnel	24.7	19.7	47	76.3	2.62	3.4	6.55	2	15⅛	1.29	11.7
Rule Industries marine & hardware products	24.7	26.8	65	9.9	0.83	8.4	1.12	80	4½	0.30	15.0
CIC Financial insurance	24.6	26.8	52	34.2	2.94	8.6	12.35	5	14½	3.31	4.3
Radiation Systems antennas	24.6	20.3	39	7.7	0.84	11.0	5.22	68	18½	1.06	17.4
Time Sharing Resources computer services	24.6	15.2	23	5.1	0.42	8.2	3.89	6	8	0.59	13.5
Voyager Group insurance	24.6	24.6	38	75.7	4.34	5.7	6.82	47	8⅞	1.68	5.2

*Latest fiscal year.

Up-And-Comers class of '80

Company principal business	Return on equity 5-year average	Return on equity latest 12 months	EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
Oregon Portland Cement cement	24.5%	16.8%	26%	$52.6	$8.05	15.3%	$40.62	71%	65½	$6.83	9.5
Electrospace Systems electronics	24.4	34.0	41	33.6	2.08	6.2	2.62	0	23	0.89	25.8
Gross Telecasting broadcasting	24.4	22.9	21	9.9	2.72	27.4	16.21	0	28¼	3.71	7.6
Western Mines Ltd mining base metals, oil & gas	24.4	40.0	118	43.1	12.08	28.0	6.23	0	19	2.49	7.6
Electronics Corp/America electronics	24.3	20.9	32	36.6	3.66	10.0	16.06	76	25¾	3.35	7.6
Altair control systems	24.2	14.5	16	47.3	1.28	2.7	6.43	25	4	0.93	4.3
Cascade hydraulically actuated equip	24.2	22.5	52	90.9	7.74	8.5	44.11	29	42½	9.92	4.2
Manufacturers Bank bank	24.2	22.5	33	70.2	9.60	13.7	11.59	38	17¼	2.61	6.6
Alpha Industries electronics	24.1	23.5	51	21.8	1.87	8.6	4.17	24	28½	0.98	29.0
Paul Mueller stainless steel equipment	24.1	26.1	26	56.3	7.12	12.6	27.48	0	30	7.16	4.1
Evans-Aristocrat Industries measuring tapes	23.6	20.8	24	22.3	2.94	13.2	7.61	0	14	1.58	8.8
Kallestad Labs health care products	23.5	24.5	52	11.2	1.33	11.9	2.08	21	10⅝	0.51	20.8
Zero enclosures for elec components	23.5	22.6	21	65.5	4.74	7.2	9.22	58	24⅞	2.08	11.9
Chattem personal care products	23.4	16.4	20	72.0	3.15	4.4	7.93	78	9	1.30	6.9
Wiser Oil oil & gas	23.4	26.5	15	40.1	15.05	37.5	23.09	0	80	6.13	13.0

*Latest fiscal year.

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Up-And-Comers class of '80

Company principal business	Return on equity 5-year average	Return on equity latest 12 months	EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
Acapulco y Los Arcos Rest restaurants	23.3%	21.6%	17%	$13.5	$0.95	7.0%	$2.45	26%	9½	$0.53	17.9
Dynamics Research precision instruments	23.3	12.4	17	23.6	0.84	3.6	6.71	0	9¾	0.83	11.7
Kane Furniture retail	23.2	25.4	40	31.0	2.92	9.4	9.86	22	8¼	2.50	3.3
Newport Electronics electronics	23.2	15.1	44	11.4	0.88	7.7	3.64	8	6⅜	0.55	11.5
John H Harland printing	23.1	21.0	18	93.7	9.01	9.6	11.51	0	39½	2.42	16.3
Hi-Shear Industries fasteners	23.1	27.5	31	79.6	10.53	13.2	10.22	10	23¼	2.81	8.2
Newcor industrial machinery	23.1	24.2	15	51.1	2.10	4.1	13.76	34	26⅞	3.33	8.0
Quaker Chemical specialty chemicals	23.1	19.5	18	92.1	7.84	8.5	11.10	0	18¼	2.16	8.4
Southwestern Energy natural gas utility	23.1	22.8	19	37.7	8.26	21.9	7.64	35	40½	1.74	23.2
Tennant industrial floor maint equip	23.1	22.0	18	97.8	8.82	9.0	15.46	0	34½	3.40	10.1
Lawter Chemicals specialty chemicals	23.0	24.2	17	68.2	11.15	16.4	4.29	1	12¾	1.04	12.2
Lindberg heat treating of metals	23.0	20.8	19	64.6	5.74	8.9	7.06	29	14½	1.47	9.8
Spectra-Physics lasers	23.0	21.4	39	96.0	7.74	8.1	10.03	46	55⅝	2.15	25.8
Adams-Russell electronics	22.8	23.6	43	28.4	1.91	6.7	5.60	88	26¾	1.32	20.2
Carolina Casualty insurance	22.8	34.7	38	31.6	1.89	6.0	7.37	8	8⅝	2.56	3.3
International R&D evaluates safety of drugs & chem	22.8	10.8	16	14.0	0.89	6.4	2.69	80	13¾	0.29	47.4
Quadrex nuclear engineering services	22.8	31.5	40	23.1	2.23	9.6	3.33	12	16	1.05	15.2
Terminal Data microfilm systems	22.8	14.5	37	14.2	0.95	6.7	4.77	91	11½	0.69	16.6
Communications Industries electronics	22.7	24.1	18	36.0	3.58	10.0	6.38	4	37½	1.54	24.3
Great American Industries rubber products	22.7	29.6	25	96.9	4.46	4.6	12.52	79	15½	3.70	4.1
Electro-Nucleonics health care products	22.6	23.6	101	30.1	1.27	4.2	2.25	90	16½	0.53	31.1
Jackson National Life insurance	22.6	25.2	28	50.0	3.16	6.3	9.95	0	18⅞	2.51	7.5
MacDermid specialty chemicals	22.6	20.0	25	56.8	5.30	9.3	12.94	0	26½	2.59	10.2
Micro Mask photomasks & photoplates	22.6	21.6	135	18.8	1.68	8.9	8.10	26	22½	1.75	12.8
Apogee Enterprises auto glass	22.5	24.5	28	83.7	3.46	4.1	4.78	77	14½	1.17	12.3
Amer Technical Industries artificial plants	22.5	10.6	102	48.4	2.20	4.5	10.16	45	12¼	1.08	11.3
Stewart Information Services insurance	22.5	13.7	26	71.0	6.59	9.3	31.22	27	30¼	4.27	7.0
Unimed ethical drugs	22.3	24.2	43	1.9	0.47	25.3	2.89	0	31½	0.70	45.0
Data-Design Labs engineering services	22.2	19.7	27	66.2	2.55	3.9	6.86	51	19	1.35	14.0
Friedman Industries metalworking	22.2	22.4	29	88.7	4.15	4.7	8.08	17	9	1.81	4.9
Peerless Chain auto parts	22.2	20.2	21	37.5	4.87	13.0	12.64	0	12½	2.55	4.9
Navco insurance	22.1	18.3	15	20.3	1.65	8.1	9.62	17	9¾	1.76	5.5
Comserv computer services	22.0	27.4	47	6.5	0.52	8.0	2.48	38	17½	0.68	25.7
Voplex plastics	22.0	7.4	107	47.2	1.63	3.5	11.32	36	10⅞	0.84	12.9

*Latest fiscal year.

Up-And-Comers class of '80

Company principal business	Return on equity		EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
	5-year average	latest 12 months									
Country Miss apparel	21.9%	26.2%	47%	$35.2	$2.07	5.9%	$11.89	15%	14	$3.12	4.4
King Radio electronics	21.9	18.9	58	98.9	9.73	9.8	15.41	10	25¾	2.91	8.8
Natl Securities & Research mutual funds	21.9	28.2	21	8.5	1.30	15.4	4.65	0	10⅜	1.31	7.9
Materials Research specialized metals & ceramics	21.8	19.1	70	43.2	2.68	6.2	8.66	22	39½	1.65	23.9
Regal-Beloit tools	21.8	21.2	16	38.2	2.96	7.8	7.99	53	12⅞	1.69	7.6
Tri-American insurance	21.8	15.7	31	18.2	1.09	6.0	6.51	64	7	1.02	6.8
CRS Group architecture & engineering	21.7	21.4	19	65.8	4.61	7.0	14.75	5	22	3.15	6.9
Knogo electronics	21.7	14.6	22	16.0	2.95	18.4	5.13	1	23	0.75	30.6
Pioneer Standard Electronics electronics	21.7	19.6	24	87.5	3.95	4.5	7.54	37	17¼	1.48	11.6
Research precison instruments	21.7	20.0	29	17.6	1.25	7.1	9.34	0	26	1.87	13.9
Beard Oil oil and gas	21.6	36.0	154	13.4	2.12	15.8	2.89	86	26	1.04	25.0
Nuclear Data electronics	21.6	14.8	111	33.7	2.08	6.2	10.20	12	16⅜	1.51	10.8
Intertherm heating & cooling systems	21.5	12.5	99	73.4	2.33	3.2	5.85	35	4⅞	0.73	6.6
Cullinane computer software packages	21.4	33.0	47	20.0	2.40	12.0	5.94	0	63	1.96	32.1
Andersen Group electronics	21.3	18.2	28	21.3	0.89	4.2	7.48	79	14¼	1.36	10.4
Astrosystems computer equipment	21.2	18.8	16	6.4	0.89	14.0	6.17	0	13¼	1.16	11.4
JLG Industries mobile aerial lifts	21.2	20.4	24	60.4	3.85	6.4	6.52	62	19¼	1.33	14.4
Columbia General safety & welding products	21.0	19.1	27	97.4	2.42	2.5	13.38	98	14½	2.56	5.6
Rockaway packaging equipment	21.0	21.7	19	32.5	2.85	8.8	11.02	26	15⅛	2.39	6.3
Kaysam Corp of America footwear	20.9	20.4	36	14.1	0.86	6.1	5.74	41	4½	1.17	3.8
United Guaranty insurance	20.8	16.5	37	43.6	15.05	34.5	18.66	5	27⅛	3.08	8.8
United Bancorp of Arizona bank	20.7	22.4	36	59.0	6.76	11.5	19.87	57	23½	4.46	5.2
Barry Wright data center equipment	20.7	24.2	37	98.9	7.68	7.8	5.20	17	21¾	1.26	17.2
Puget Sound National Bank bank	20.7	18.2	15	65.5	7.64	11.7	24.42	18	22	4.44	4.9
Bowne & Co printing	20.6	25.2	28	78.9	6.84	8.7	9.41	1	24⅝	2.37	10.3
Hunt Mfg art & office supplies	20.6	19.7	19	51.5	3.16	6.1	12.89	21	29½	2.54	11.6
Jensen Industries home & boat fixtures	20.6	7.2	54	15.6	1.36	8.7	7.69	4	4¼	0.55	7.7
Sigma-Aldrich specialty chemicals	20.6	18.7	17	86.7	11.24	13.0	14.94	1	54¼	2.79	19.4
Ohio-Sealy Mattress mattresses & box springs	20.5	17.3	20	49.0	4.33	8.8	8.78	8	10	1.52	6.5
Page Airways airplane sales & services	20.5	20.7	30	93.1	3.95	4.2	20.21	0	20¾	4.18	4.9
House of Ronnie apparel	20.4	22.5	29	62.7	4.00	6.4	7.78	6	9⅜	1.75	5.3
Atlantic American insurance	20.3	20.7	48	34.9	3.05	8.7	7.78	12	12⅜	1.61	7.6
Packaging Systems packaging materials & systems	20.3	15.9	28	26.8	1.27	4.7	9.68	51	8¼	1.54	5.3
Amer Guaranty Financial insurance	20.2	17.7	32	35.6	4.42	12.4	7.33	67	12⅛	1.30	9.3

*Latest fiscal year.

Up-And-Comers class of '80

Company principal business	Return on equity		EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
	5-year average	latest 12 months									
Heinicke Instruments laboratory apparatus	20.2%	22.0%	29%	$18.8	$1.97	10.5%	$3.69	27%	15⅛	$0.81	18.9
New Penn Motor Express trucking	20.2	19.0	24	37.3	3.61	9.7	18.88	13	13¾	3.59	3.8
Vulcan footwear parts	20.2	21.9	132	37.5	2.78	7.4	8.28	18	8¼	1.81	4.5
Preferred Risk Life insurance	20.1	17.2	15	16.4	3.63	22.1	16.76	0	19¼	2.88	6.6
Thompson Medical proprietary drugs	20.1	48.1	47	50.2	4.67	9.3	4.99	0	22½	2.40	9.3
Ennis Business Forms business forms	20.0	20.2	35	78.2	4.85	6.2	12.57	23	18⅛	2.54	7.1
Three D Department leased depts in retail strs	19.9	16.3	54	25.4	1.40	5.5	6.55	1	5⅛	1.07	4.7
Vernitron health care products	19.9	19.2	22	91.9	4.86	5.3	7.40	63	14⅜	1.42	10.1
Daniel Woodhead electrical equipment	19.9	16.8	17	42.2	3.88	9.2	6.54	7	13¾	1.10	12.5
Acme Electric electronics	19.8	17.3	24	50.0	2.83	5.7	5.77	18	9¼	1.00	9.2
AGM Industries auto equipment	19.8	11.9	45	33.9	1.36	4.0	20.12	36	14	2.40	5.8
Monarch Machine Tool industrial tools	19.8	26.8	24	97.2	9.11	9.4	12.44	0	27	3.33	8.1
American Welding & Mfg prec parts aerospace & pwr gen	19.7	36.7	31	95.4	5.23	5.5	18.59	0	52½	6.83	7.6
Frigitronics eyeglass lenses	19.7	17.4	23	79.8	3.24	4.1	6.21	36	9¾	1.08	9.0
Altamil auto parts	19.6	11.8	24	88.2	4.32	4.9	16.49	26	12¾	1.95	6.5
Hamilton Digital Control computer parts	19.6	12.6	47	8.5	0.36	4.2	2.14	69	3⅞	0.27	14.3
New Mexico/Ariz Land Co land & resources development	19.6	23.2	53	6.0	1.07	17.8	4.62	41	32¼	1.07	30.1
Telesciences electronics	19.6	5.6	21	32.7	3.90	11.9	6.41	1	14⅞	0.36	41.3
Brooks & Perkins materials handling equipment	19.5	22.6	16	66.2	2.98	4.5	10.67	38	23¼	2.41	9.6
Met-Pro pollution control equipment	19.5	18.3	28	14.6	1.13	7.7	4.91	35	11⅛	0.90	12.3
Gelman Sciences precision instruments	19.4	13.7	24	34.0	1.83	5.4	5.55	70	16⅝	0.76	21.8
Moore Products precision instruments	19.4	18.1	19	48.3	5.28	10.9	15.05	0	31½	2.73	11.5
New England Nuclear specialty chemicals	19.4	16.7	23	81.9	9.18	11.2	9.09	7	32½	1.52	21.3
Lindal Cedar Homes building	19.3	14.7	112	14.9	0.53	3.6	5.24	64	3¼	0.77	4.2
Scope Industries recycling food waste	19.3	13.6	18	19.5	3.29	16.9	53.05	2	85½	7.19	11.8
Application Engineering water cooling equipment	19.2	13.9	34	45.9	2.28	5.0	8.12	34	8	1.13	7.0
Excepticon residential care centers	19.2	22.8	33	17.3	0.49	2.8	3.33	100	6	0.76	7.8
Flexsteel Industries furniture	19.2	11.9	16	89.9	3.52	3.9	15.00	25	11¼	1.79	6.2
REFAC Technology Development intl technology transfer	19.0	12.3	15	11.2	1.62	14.4	3.49	13	20¾	0.43	48.2
Air Wisconsin airline	18.9	23.3	43	19.8	2.32	11.7	4.90	64	17⅛	1.14	15.0
Detrex Chemical Industries specialty chemicals	18.9	18.0	31	75.6	4.09	5.4	30.13	4	28½	5.41	5.2
Sierra Research electronics	18.9	19.2	21	39.4	1.53	3.9	9.78	54	28½	1.88	15.1
Walbro auto parts	18.9	11.9	17	40.8	1.44	3.5	12.14	18	7¼	1.44	5.0
Lehigh Press printing	18.8	19.2	45	77.3	3.14	4.1	22.49	41	22⅞	4.32	5.2

*Latest fiscal year.

Up-And-Comers class of '80

Company principal business	Return on equity		EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
	5-year average	latest 12 months									
Trion electronic air cleaners	18.8%	17.9%	20%	$8.6	$0.83	9.6%	$8.17	16%	8⅜	$1.46	5.7
Aero-Flow Dynamics maritime supplies	18.7	18.0	24	77.1	2.51	3.3	25.34	9	34¼	4.55	7.5
WR Berkley insurance	18.7	15.9	30	88.6	6.12	6.9	11.52	59	13¾	1.83	7.5
Cobe Laboratories health care products	18.7	13.1	18	78.0	4.64	5.9	18.45	38	34¼	2.41	14.2
Metallurgical Industries metal powders	18.7	17.6	39	17.0	1.42	8.4	6.98	0	12¼	1.23	9.9
Vishay Intertechnology electronics	18.7	19.9	27	37.1	3.25	8.8	6.43	44	16⅞	1.28	13.1
SGL Industries electrical equipment	18.6	16.4	19	51.3	2.51	4.9	11.54	8	12¼	1.89	6.4
Vitramon electronics	18.6	18.1	33	19.7	1.54	7.8	7.11	0	13½	1.29	10.4
Analysts International computer services	18.5	14.8	17	19.9	0.35	1.8	2.70	9	8¼	0.40	20.6
Finnigan precision instruments	18.5	11.7	41	39.1	2.08	5.3	6.47	10	25	0.76	32.8
Tidwell Industries mobile homes	18.5	12.0	119	62.2	1.85	3.0	4.65	61	9⅛	0.56	16.2
MSI Data inventory recording equipment	18.4	13.9	89	45.4	1.66	3.7	7.35	3	14¾	1.02	14.4
American Indemnity Financial insurance	18.3	13.2	18	79.5	4.16	5.2	24.96	7	18⅛	3.30	5.4
Andersen 2000 pollution control equipment	18.3	50.0	63	3.0	0.23	7.8	0.98	2	15¼	0.49	31.1
Osmonics chemical processing systems	18.3	19.9	23	4.1	0.44	10.8	1.91	19	10⅜	0.38	27.2
Kerr-Addison Mines† gold mining	18.2	31.8	45	54.9	32.45	59.2	12.50	0	16⅞	3.97	4.2
Barden ball bearings	18.1	20.7	52	53.6	6.33	11.8	22.55	14	37	4.66	7.9
Colonial Life & Accident insurance	18.1	17.1	28	88.6	13.50	15.2	16.36	0	14½	2.79	5.1
Esquire publishing, lighting	18.1	19.2	70	99.7	7.48	7.5	17.48	54	16⅛	3.35	4.8
Anthem Electronics electronics	18.0	42.5	149	34.5	2.48	7.2	3.51	23	20¼	1.49	13.5
Optical Radiation electronics	18.0	15.8	119	15.2	1.35	8.9	5.87	21	13½	0.93	14.5
RH Medical Service health care services	18.0	21.2	53	71.0	2.84	4.0	11.04	91	23¾	2.34	10.1
Wavetek precision instruments	18.0	15.8	32	29.6	1.96	6.6	8.22	20	25¾	1.30	19.8
Bristol plumbing supplies	17.9	6.4	19	76.9	2.43	3.2	9.81	50	5½	0.63	8.7
Golden Enterprises snack foods, fasteners	17.9	16.0	17	57.4	2.82	4.9	7.75	4	14¾	1.24	11.8
Datametrics computer printers	17.8	15.3	24	5.0	0.38	7.6	1.57	43	6⅞	0.24	28.6
G&K Services linen & uniform rentals	17.8	18.4	18	35.6	1.82	5.1	9.37	34	10¾	1.72	6.2
Logicon computer-controlled automation	17.8	16.7	17	48.9	1.96	4.0	13.09	0	25⅝	2.18	11.7
Moran Energy oil & gas explor & devel	17.8	10.7	16	39.6	3.93	9.9	23.84	75	50¼	2.56	19.6
Mosinee Paper paper & paper products	17.8	13.9	15	78.6	5.51	7.0	8.32	57	8½	1.16	7.3
New Idria metal products, rubber	17.8	4.2	55	34.6	0.59	1.7	1.66	60	1⅞	0.07	26.7
Patagonia bank & finance	17.8	15.4	153	58.4	6.05	10.4	13.86	82	16½	2.14	7.7
Scurry-Rainbow Oil† oil & gas, mining	17.8	25.1	45	44.0	13.26	30.1	27.04	35	88⅛	6.80	13.0
Systems Engineering & Mfg electroplating systems, filters	17.8	21.9	36	16.3	1.05	6.4	6.68	29	16	1.46	10.9

*Latest fiscal year. †Figures are in Canadian dollars.

Up-And-Comers class of '80

Company principal business	Return on equity 5-year average	 latest 12 months	EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
Dependable Insurance Gr insurance	17.7%	28.3%	51%	$22.0	$3.18	14.4%	$6.42	0%	12	$1.82	6.5
Flow General health care products	17.7	15.2	40	77.1	3.78	4.9	6.57	24	38⅞	1.00	38.8
Grantree furniture	17.7	7.9	18	83.1	2.44	2.9	5.58	58	4⅝	0.44	10.5
Oakwood Homes mobile homes	17.7	16.9	32	42.9	3.06	7.1	14.12	9	19⅞	2.38	8.3
Scientific Computers computer services	17.7	29.9	67	13.1	1.44	11.0	6.52	33	25¾	1.95	13.2
TAB Products office equipment	17.7	21.4	28	83.0	4.15	5.0	16.07	51	34¼	3.44	9.9
Acme United shears & scissors	17.6	18.1	22	29.5	2.12	7.2	5.37	56	16½	0.97	17.0
Commonwealth Theatre movie theaters	17.6	17.6	21	63.7	2.60	4.1	10.50	86	14¼	1.85	7.7
Cordura publishing	17.6	27.5	76	23.8	1.35	5.7	1.49	1	10¼	0.41	25.0
Security Bancorp bank	17.6	15.8	15	71.4	8.73	12.2	22.65	23	15¼	3.57	4.2
Teleflex auto parts	17.6	19.7	54	66.8	3.87	5.8	14.21	59	40⅞	2.80	14.5
Cetron Electronics electronics	17.5	18.7	23	5.3	0.70	13.2	2.73	0	3⅜	0.51	6.6
Funtime amusement park	17.5	16.7	17	10.9	1.11	10.2	4.61	6	6½	0.77	8.4
Realist surveying equipment	17.3	7.0	32	18.6	1.03	5.5	13.76	53	7½	0.97	7.7
Unitrode electronics	17.3	18.6	38	81.6	8.27	10.1	16.46	4	34	3.06	11.1
Athey Products street sweepers, hauling equip	17.2	28.9	46	20.9	1.69	8.1	13.10	29	17	3.78	4.4
Control Laser lasers	17.2	19.5	38	10.1	1.05	10.4	3.94	9	26½	0.77	34.4
Hibernia bank	17.2	18.7	21	88.3	9.38	10.6	19.61	37	23	3.67	6.2
Reliability electronics	17.2	28.0	36	13.6	1.06	7.8	1.18	25	8½	0.33	25.7
Schenuit Industries home & garden equipment	17.2	19.8	32	77.6	3.99	5.1	29.34	47	30½	5.82	5.2
Walbar aerospace	17.2	29.5	51	47.1	6.12	13.0	9.36	4	33¾	2.76	12.2
Allen Organ electronic organs	17.1	14.1	26	16.0	1.79	11.2	24.34	2	16	3.42	4.6
Avemco insurance	17.1	17.8	23	19.7	3.34	16.9	7.85	15	9¾	1.40	6.9
Numac Oil & Gas† oil & gas	17.1	9.7	21	18.5	6.08	32.9	6.18	31	32¼	0.60	53.8
TSI precision instruments	17.1	24.2	26	9.3	0.69	7.5	2.31	88	12¾	0.56	22.7
Kansas State Network broadcasting	17.0	22.9	34	20.5	2.23	10.9	10.59	4	29	2.43	11.9
National Data computer services	17.0	21.1	29	60.1	5.67	9.4	6.08	9	28¼	1.28	22.0
Southwest Florida Bank bank	17.0	18.1	25	69.2	8.77	12.7	9.41	58	11⅝	1.70	6.8
Tony Lama footwear	16.9	29.3	31	48.5	2.51	5.2	7.17	54	14½	2.10	6.9
Cablecom General cable tv	16.8	16.0	15	37.4	4.86	13.0	12.35	57	37¼	1.97	18.9
Electronic Modules electronics	16.8	19.0	31	14.5	1.08	7.5	5.67	56	18½	1.08	17.1
General Defense precision components	16.7	83.3	19	55.8	2.77	5.0	2.04	81	15¾	1.70	9.2
Precision Castparts precision castings	16.7	14.7	19	74.5	2.95	4.0	11.67	79	31¼	1.72	18.1
Products Research & Chemicals specialty chemicals	16.7	16.0	34	42.8	3.40	7.9	4.86	24	16⅜	0.78	20.9

*Latest fiscal year. †Figures are in Canadian dollars.

Up-And-Comers class of '80

Company principal business	Return on equity		EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
	5-year average	latest 12 months									
Seton leather products, chemicals	16.7%	8.4%	18%	$70.0	$2.49	3.6%	$14.51	89%	9	$1.22	7.3
Central Banking System bank	16.6	15.5	21	84.3	6.04	7.2	13.82	15	10⅛	2.14	4.7
Chemplast plastics	16.6	17.4	24	17.6	1.49	8.5	6.90	8	11¾	1.20	9.7
Hazleton Labs biological research & mfg	16.6	10.9	15	43.3	2.00	4.6	7.63	48	21⅞	0.83	26.3
Mutual Savings Life Insurance insurance	16.6	21.1	16	48.3	5.10	10.6	14.80	0	22⅝	3.13	7.2
Raven Industries apparel	16.6	16.9	25	38.4	1.83	4.8	8.30	53	7½	1.40	5.3
CSE insurance	16.5	15.6	23	53.0	3.36	6.3	20.99	0	25⅛	3.27	7.6
Petrol Industries oil & gas exploration & dev	16.5	42.9	90	2.0	0.68	33.7	1.12	0	8¼	0.48	17.1
Mark Twain Bancshrs bank	16.4	19.5	28	42.0	5.02	12.0	8.09	26	29	3.53	8.2
May Petroleum oil-gas exploration & dev	16.4	17.6	99	13.1	2.32	17.7	4.33	49	30	0.76	39.4
Frank Paxton lumber	16.4	15.0	19	75.6	3.88	5.1	38.75	3	29½	5.83	5.0
Sierracin aerospace	16.4	22.1	30	44.5	2.29	5.1	7.19	28	23½	1.59	14.7
Verit Industries beef packing	16.4	10.7	24	39.1	0.27	0.7	3.28	7	2½	0.35	7.1
Chieftain Development oilfield services	16.3	9.3	26	42.6	5.16	12.1	5.27	81	21	0.49	42.8
Electro-Catheter health care products	16.3	15.6	79	4.0	0.34	8.4	3.65	11	11½	0.57	20.1
Galaxy Carpet Mills carpeting	16.3	7.1	15	96.5	2.10	2.2	7.98	68	3⅝	0.57	6.3
Sunair Electronics electronics	16.3	18.5	16	12.6	2.33	18.6	11.60	0	16⅛	2.15	7.4
Missouri Research Labs industrial equipment	16.2	19.4	94	14.2	0.90	6.3	1.80	19	2½	0.35	7.1
Nuclear Metals metal powders	16.2	16.3	29	16.7	1.74	10.4	8.42	31	31½	1.37	22.9
Rossmoor real estate development	16.2	0.8	97	16.7	2.55	15.2	7.85	23	8	0.06	133.3
Weisfields retail jewelry	16.2	11.9	177	34.2	2.66	7.8	22.30	1	15	2.65	5.6
Computer Data Systems computer services	16.1	21.2	19	14.8	0.77	5.2	6.45	8	18½	1.37	13.5
Horizon Bancorp bank	16.1	18.4	19	90.1	10.11	11.2	18.51	45	14	3.40	4.1
Kirby Exploration transportation	16.1	20.2	32	80.1	8.66	10.8	38.48	26	130¼	7.78	16.7
Myers Industries tire service equip & supplies	16.1	15.1	25	65.5	3.27	5.0	14.06	37	11¼	2.13	5.2
Telephone Utilities telephone company	16.1	17.9	20	54.2	9.14	16.9	11.16	59	13	2.00	6.5
Unit Drilling & Exploration oilfield services	16.1	31.8	37	31.3	5.15	16.5	5.06	0	39¼	1.61	24.3
Breeze aerospace & auto parts	16.0	17.1	149	24.4	1.62	6.6	11.73	41	13⅛	2.01	6.5
United Cities Gas natural gas utility	16.0	15.7	21	44.2	1.67	3.8	16.67	100	11½	2.62	4.3
Tandy Brands leather goods	15.9	13.1	39	47.9	2.68	5.6	14.41	22	29	1.89	15.3
TransTechnology aerospace	15.9	23.6	21	36.4	1.59	4.4	4.02	48	12	0.95	12.6
United Presidential Life Ins insurance	15.9	16.3	38	31.5	2.07	6.6	6.87	11	11	1.12	9.8
Aero Systems marketing aviation equipment	15.8	18.8	63	14.1	0.86	6.1	0.96	23	7¼	0.18	40.2
Overmyer glass molding equipment	15.8	11.4	53	42.7	2.35	5.5	12.17	58	7½	1.39	5.3

*Latest fiscal year.

Up-And-Comers class of '80

Company principal business	Return on equity 5-year average	 latest 12 months	EPS 5-year growth rate	Net sales* (mil)	Net income* (mil)	Net profit margin*	Book value per share	Debt as % of book	Recent price	EPS last 12 months	P/E ratio
Doe Spun apparel	15.7%	22.7%	38%	$23.1	$1.08	4.7%	$7.87	41%	7	$1.79	3.9
Wabash International insurance	15.7	12.3	19	29.6	1.54	5.2	4.22	0	7¼	0.52	14.0
REDM Industries electronics	15.7	18.2	37	17.6	1.25	7.1	5.50	11	8⅝	1.00	8.6
IMC Magnetics electrical equipment	15.5	16.3	24	44.2	2.19	5.0	18.97	35	16¼	3.10	5.2
Robinson Nugent electrical equipment	15.5	21.0	76	28.9	3.02	10.5	5.52	10	19½	1.16	16.8
Biospherics information services	15.4	15.0	35	4.8	0.31	6.4	1.00	57	4¾	0.15	31.6
Roper Industries pumps	15.4	21.1	23	41.1	3.24	7.9	20.17	7	24	4.26	5.6
Universal Cigar cigars	15.4	15.9	26	33.8	2.24	6.6	10.73	0	10⅜	1.71	6.0
Citizens & Southern Corp bank	15.4	17.3	19	93.4	10.30	11.0	24.39	48	20¼	4.21	4.8
Shaer Shoe shoes	15.4	17.4	32	17.6	1.42	8.1	7.57	0	7⅛	1.32	5.3
Ancorp Bankshares bank	15.3	15.2	19	74.0	7.25	9.8	28.57	16	17¼	4.35	3.9
First Connecticut Bancorp bank	15.3	17.4	18	44.8	6.33	14.1	35.42	7	26	6.17	4.2
Natl Mobile Concrete concrete	15.3	23.6	44	13.5	0.91	6.8	8.09	0	5¾	1.91	3.0
Sunshine Mining silver mining	15.3	17.6	29	23.7	8.30	35.1	2.39	74	23¼	0.42	55.3
National Old Line Insurance insurance	15.3	14.0	15	68.5	8.49	12.4	13.11	0	19	1.83	10.3
Bankers Trust of South Carolina bank	15.3	18.5	31	84.5	8.91	10.5	18.44	30	19¾	3.41	5.7
EPSCO electronics	15.2	19.5	69	13.3	0.88	6.6	5.22	31	17	1.02	16.6
Lil' Champ Food Stores convenience food stores	15.2	16.1	17	30.5	1.17	3.8	10.65	18	17	1.71	9.9
TIE/Communications telephone systems	15.2	24.5	104	34.1	1.21	3.6	2.37	17	24⅛	0.58	41.5
Crown Industries building products	15.2	14.4	36	63.4	2.15	3.4	9.66	87	7⅛	1.39	5.1
Par Systems nuclear handling equip	15.2	21.7	42	19.3	1.83	9.5	7.43	18	26½	1.61	16.4
United Asbestos† asbestos mining	15.2	16.5	35	26.6	9.27	34.9	8.06	61	5⅞	1.33	4.4
Coherent lasers	15.2	10.5	139	52.0	3.11	6.0	7.92	27	25¾	0.83	31.0
Aro air tools	15.1	13.9	19	87.3	8.90	10.2	24.03	20	19⅞	3.34	5.9
Ply-Gem Industries building materials	15.1	11.9	56	50.1	2.39	4.8	12.77	2	8	1.52	5.2
Ellis Banking bank	15.1	15.7	23	91.3	10.24	11.2	9.16	37	7½	1.44	5.2
Kampgrounds of America recreation facilities	15.0	11.8	15	15.2	1.84	12.1	12.17	5	10¼	1.44	7.1
Intercontinental Dynamics industrial training	15.0	17.7	17	18.6	1.07	5.7	6.40	30	8½	1.13	7.5

*Latest fiscal year. †Figures are in Canadian dollars.
Source: Standard & Poor's.

History will record 1980 as less than a banner year. But how about 1981? Here's what Wall Street's best minds expect next year for 542 widely followed companies.

The analysts place their bets for 1981

EVERYONE KNOWS that earnings estimates are notoriously inaccurate. Nevertheless, they do help mold the expectations of investors, professional and individual alike, and so are a potent influence on stock prices.

Every year at about this time the highly regarded Institutional Brokers Estimate System, a service of New York Stock Exchange brokers Lynch, Jones & Ryan, provides FORBES with a consensus of the earnings forecasts of over 1,000 analysts for about 550 stocks that are widely traded.

Last year we broke those estimates down into four groups of companies: "rising stars," companies where average earnings estimates are more than 25% higher than the year previous; "big stars," the 30 companies that make up the Dow Jones industrial average; "falling stars," companies that are expected to show lower earnings; and "overlooked stars," whose price/earnings ratios are very low if the analysts' predicted earnings are close.

This year we have added a fifth group, "recovering stars." These are companies that lost money in 1980 but are expected to earn a minimum of 50 cents a share next year.

As the estimates for each company are an average of the estimates of anywhere from 3 to as many as 30 analysts, we've included two columns at the end of each table showing the percent variation in earnings estimates for both 1980 and 1981—which is a measure of how widely the analysts' estimates vary. The lower the number is in each column, the smaller is the variation in the earnings estimates that analysts have made for that company.

Naturally, some of the 1981 estimates will come very close and others will miss the mark. How good were the estimates for 1980? Too optimistic in many cases, but then a good number of forecasts were undone by a recession that was much worse than originally expected. The forecast for UAL, for example, was typical of the forecasts for most of the airlines.

Last year IBES classified UAL as a rising star that was expected to earn $5.12 in 1980. The best estimates now peg the big airline holding company as losing 84 cents in 1980. On the other hand, IBES had rising star Newpark Resources in for $1.92; it is now expected to come in very close to $2. Big star American Telephone & Telegraph's previous estimate of $8.18 is now expected to be a little over $8 for 1980.

Here's a list of the analysts' earnings predictions for 542 widely traded companies. As a list of average forecasts it represents about as clear a picture of what the market in general expects as one can get. Clearly there is optimism in the air. Last year we had 71 rising stars. This year we have cited as many as 207, as companies recover from the recession. And there are only 33 falling stars this year, whereas last year there were 118.—*Steve Kichen*

Rising stars

These 207 companies are expected to show at least 25% growth in earnings per share in 1981.

Company	Recent price	Earnings per share[1] 1979	1980 (est)	1981 (est)	% increase of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2] 1980	1981
Equitable Savings & Loan Associations	18⅛	$4.41	$0.90	$3.46	284.7%	5.23	152.90%	40.90%
Arvin Industries	15	2.62	0.61	2.32	277.4	6.58	45.93	10.25
General Tire & Rubber	20	3.44	0.83	3.00	261.5	6.67	36.73	12.00
Federal National Mortgage Association	14⅝	2.68	0.95	3.16	234.1	4.66	22.70	15.56
Northwest Airlines	26⅜	3.35	0.85	2.81	229.1	9.43	89.71	34.49
Lockheed	35⅜	2.01	1.20	3.52	192.2	10.27	17.37	14.26
TRANSOHIO Financial	11¼	3.43	1.00	2.83	183.3	3.93	75.00	26.96
Franklin Electric	14½	1.25	0.55	1.44	161.4	10.09	42.64	19.13
Financial Corporation of Santa Barbara	17⅛	3.14	1.21	3.15	159.6	5.48	42.89	18.92
Financial Federation	37⅝	5.34	1.80	4.50	150.0	8.39	47.51	32.71
Republic Steel	24¼	7.49	1.61	3.88	140.7	6.19	39.93	21.61
Standard Motor Products	13¼	1.80	0.90	2.12	135.1	6.38	17.57	22.81
Northern Calif Savings & Loan Association	14⅞	3.40	1.36	3.17	133.1	4.78	46.35	15.30
Raymond International	29	2.60	0.99	2.27	129.9	12.89	19.56	18.39
First Charter Financial	17⅝	3.05	1.43	3.26	127.3	5.40	15.15	15.80
Brunswick	15⅛	2.39	0.93	2.09	125.3	7.46	23.00	22.08
Texas Air	12¼	0.97	0.90	1.97	117.9	6.28	40.53	41.45
Akzona	10¾	2.10	0.70	1.52	117.4	7.07	23.42	17.27

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. A: Actual.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan

Rising stars

Company	Recent price	Earnings per share[1]			% increase of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2]	
		1979	1980 (est)	1981 (est)			1980	1981
Coherent	25½	$1.49	$0.86	$1.85	115.1%	13.92	18.89%	7.15%
Great Western Financial	20⅛	4.15	2.13	4.45	108.7	4.63	12.73	18.68
HF Ahmanson & Co	21⅜	5.11	2.56	5.31	107.6	4.03	19.99	14.21
Esmark	55¼	4.40	3.93	7.65	94.7	7.21	14.51	20.79
Northern Telecom Ltd	35	3.70	2.07	4.00	93.0	8.88	17.69	10.61
Singer	11⅛	1.58	0.83	1.60	92.0	6.88	34.64	10.83
General Public Utilities	5⅛	1.56	0.56	1.06	90.3	4.83	41.59	21.46
Easco	17⅜	2.21	1.52	2.88	89.3	5.99	30.80	7.17
El Paso Co	23¼	2.93	1.56	2.92	86.6	7.93	15.26	16.31
Bethlehem Steel	25⅛	6.31	2.07	3.82	84.7	6.50	26.18	25.35
Redman Industries	10⅛	1.32	0.73	1.34	83.2	7.57	24.02	23.12
Modern Merchandising	12	1.52	1.04	1.88	81.3	6.39	29.38	13.95
Cessna Aircraft	20⅜	2.47	1.29	2.32	79.8	8.67	9.35	13.78
AE Staley Manufacturing	63	1.86	4.59	8.12	77.0	7.80	8.83	16.56
Owens-Corning Fiberglas	28⅜	3.59	1.45	2.56	76.6	11.08	22.07	18.75
Sealed Power	22¾	4.35	2.25	3.96	75.9	5.84	14.40	10.88
Four-Phase Systems	31½	3.29	1.18	2.06	75.2	15.77	12.48	15.75
Imperial Corporation of America	29¾	5.24	2.95	5.11	73.2	5.75	10.45	7.07
GDV	15⅛	3.22	1.80	3.03	68.5	5.11	8.33	9.94
Magma Power	27⅝	0.57	0.97	1.62	67.2	17.16	5.97	14.28
Xtra	21½	5.10	2.31	3.87	67.2	5.46	31.70	32.75
Echlin Manufacturing	15	1.50	0.89	1.49	66.4	10.25	23.15	8.85
Ramada Inns	9¼	0.57	0.54	0.89	66.1	10.54	7.78	22.99
Pope & Talbot	22⅝	4.04	1.63	2.69	65.4	8.65	27.04	20.59
McGraw-Edison	28⅞	4.44	2.94	4.77	62.0	5.95	8.63	4.59
Coleman	17¼	2.54	1.53	2.46	61.5	7.00	8.13	4.00
Shaklee	22⅝	3.43	2.40	3.88	61.5	5.68	29.12	3.72
GAF	13	1.83	1.51	2.43	61.3	5.19	27.99	26.02
Amdahl	32¼	1.02	1.04	1.67	60.9	18.47	19.93	13.77
Flexi-Van	22⅝	3.70	2.30	3.70	60.9	6.21	22.78	12.89
LTV	13	5.23	1.90	3.04	60.2	4.36	29.69	21.61
Finnigan	25¼	1.27	1.02	1.62	59.0	15.46	7.51	7.78
RG Barry	8⅝	0.55	0.86	1.36	58.0	6.61	10.97	5.50
Crane	39	5.39	3.92	6.20	58.0	6.37	6.94	7.81
Data Terminal Systems	26¼	1.91	2.19	3.46	58.0	7.58	12.53	23.97
Purolator	31	3.85	2.70	4.23	56.8	7.20	3.21	16.08
Justin Industries	19	2.83	1.76	2.73	55.1	7.05	10.52	8.35
Standard Pacific	13½	2.62	1.52	2.36	54.9	5.71	13.78	17.74
Overhead Door	16⅛	2.60	1.38	2.12	53.6	7.72	17.34	14.41
Tiger International	23¾	3.03	2.65	4.04	52.9	6.00	17.53	13.88
Jonathan Logan	11⅞	1.11	1.69	2.59	52.8	4.44	25.30	22.13
Santa Fe International	58¾	0.78	3.12	4.73	51.8	12.58	5.11	8.80
Stop & Shop	14¼	3.70	2.58	3.92	51.7	3.45	20.79	9.75
Dataproducts	34½	0.99	2.13	3.21	50.7	10.94	14.84	12.15
Tandem Computers	63	0.59	1.04	1.57	50.6	40.48	1.70	6.80
Watkins-Johnson	34	2.32	2.20	3.31	50.5	10.39	13.56	15.05
Zapata	58⅝	2.64	4.36	6.46	48.1	9.15	8.48	11.37
Crutcher Resources	31⅞	0.72	1.40	2.07	47.9	15.16	9.45	26.44
Computervision	66⅜	1.04	1.53	2.27	47.9	30.23	9.34	3.63
McDermott	31¼	1.76	2.55	3.77	47.9	8.33	21.56	11.09
Yellow Freight Systems	17¾	1.45	1.59	2.35	47.8	7.55	9.56	18.80
Archer-Daniels-Midland	41⅝	1.63	3.20A	4.71	47.2	8.84	NM	8.33
Zayre	18	3.13	2.90	4.26	46.7	4.11	12.58	8.24
Consolidated Freightways	26⅝	5.06	3.27	4.80	46.6	5.50	14.97	14.21
American Quasar Petroleum	42½	0.25	0.65	0.95	46.2	44.47	22.43	24.69
Gifford-Hill & Co	19¾	3.45	2.07	3.02	45.8	6.53	18.92	19.39
St Joe Minerals	63⅜	4.64	5.02	7.31	45.6	8.60	4.48	12.68
Central Soya	16½	2.23	1.67A	2.42	44.9	6.72	NM	3.16
Kennecott	32¼	3.93	2.61	3.75	43.7	8.34	47.98	47.85
Valero Energy	29⅞	0.66	2.34	3.35	43.2	8.87	3.24	7.61
Compugraphic	21	3.58	1.76	2.51	42.8	8.53	10.41	12.27
Daniel Industries	50⅞	2.07	2.85	4.05	42.1	12.31	8.71	8.10
Dayco	12¼	2.32	1.23	1.75	41.9	6.86	16.88	22.31
Castle & Cooke	14⅝	1.14	1.43	2.02	41.4	7.30	10.98	24.03

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. A: Actual. NM: Not meaningful.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.

Rising stars

Company	Recent price	Earnings per share[1] 1979	1980 (est)	1981 (est)	% increase of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2] 1980	1981
Levitz Furniture	26⅜	$4.84	$3.47	$4.90	41.0%	5.41	8.33%	8.54%
Service Merchandise	15⅝	1.54	1.66	2.34	40.9	6.51	17.64	9.84
Forest Oil	38	0.79	1.11	1.56	40.8	25.44	24.55	30.17
Champion Spark Plug	9½	1.49	1.12	1.57	40.4	6.19	14.63	9.29
US Steel	21⅞	−4.46	2.45	3.44	40.4	6.31	31.52	25.20
GCA	57½	1.25	2.48	3.48	40.3	16.40	6.80	14.27
Parker Drilling	65¼	2.76	2.97	4.16	40.0	15.51	3.49	11.18
Products Research & Chemical	16¼	0.68	0.81	1.14	40.0	14.40	3.08	4.21
Equimark	9⅛	1.60	1.77	2.47	39.8	3.70	10.77	31.12
Newpark Resources	54⅜	1.37	2.01	2.81	39.7	19.16	4.51	13.00
E-Systems	46¾	3.12	2.79	3.89	39.6	12.09	6.71	3.41
Western Union	28⅛	−0.34	2.02	2.81	39.0	10.15	1.21	13.62
Lowe's Cos	23	1.92	1.43	1.99	38.7	11.71	10.92	8.04
Mark Controls	24⅝	1.59	2.15	2.97	38.3	8.25	4.84	21.33
M/A-Com	52¼	0.99	1.39	1.92	38.2	28.24	6.20	10.35
Equitable Life Mortgage & Realty Investors	13½	1.87	1.28	1.77	37.7	7.64	8.11	16.34
Leggett & Platt	12⅜	1.70	1.54	2.12	37.7	5.91	3.11	5.94
Global Marine	53	2.10	3.23	4.44	37.5	11.83	7.33	16.26
Prime Computer	46	0.89	1.45	1.99	37.4	23.34	4.98	8.69
Kaiser Cement	29¼	4.47	3.18	4.36	37.1	6.50	9.52	22.38
Worthington Industries	21⅜	1.60	1.86	2.55	37.1	8.58	7.21	7.07
Amarex	56½	0.72	1.01	1.39	36.8	41.80	11.64	10.35
Houston Oil & Minerals	41⅛	2.07	2.39	3.27	36.7	12.80	5.32	17.47
Louisiana-Pacific	25½	3.57	2.29	3.12	36.3	8.06	14.81	17.43
Western Company of North America	45¼	1.20	2.27	3.09	35.9	14.90	2.95	5.25
Ryder System	27⅞	3.73	3.06	4.15	35.6	6.71	6.81	7.01
Grumman	27	1.89	2.63	3.56	35.5	7.48	13.76	19.18
Modular Computer Systems	28⅜	1.28	1.19	1.61	35.4	18.20	5.30	5.16
Trus Joist	21¾	1.98	1.61	2.18	35.4	9.96	8.15	3.50
BF Goodrich	22⅜	4.89	3.06	4.13	35.2	5.41	7.44	17.56
Chieftain Development Ltd	21⅛	0.35	0.62	0.83	35.1	25.20	12.39	17.32
Bow Valley Industries Ltd	19	0.49	0.61	0.83	34.5	22.69	1.40	13.93
Johnson Controls	32⅝	3.58	2.45	3.29	34.2	9.87	7.53	7.41
Baldwin United	47¾	4.46	4.87	6.53	34.1	7.28	3.80	8.04
Peabody International	36½	2.57	2.46	3.29	34.1	11.01	4.25	9.12
Deere & Co	41¼	5.12	3.75	5.02	34.1	8.16	11.60	15.04
Research-Cottrell	17¾	1.13	1.67	2.24	34.0	7.97	11.51	12.80
Management Assistance	24	2.36	1.97	2.63	33.7	8.79	13.30	13.43
Collins & Aikman	8⅞	1.32	1.10	1.46	33.6	5.98	5.21	5.13
Simmonds Precision Products	13½	1.35	1.27	1.70	33.3	7.87	20.63	18.60
Texas Oil & Gas	62⅜	2.05	2.90	3.86	33.3	14.47	2.79	6.86
Noble Affiliates	53	1.57	2.38	3.16	32.9	17.04	12.22	15.83
Nevada Power	20⅜	3.37	2.29	3.03	32.6	6.88	9.51	1.90
Cray Research	94	1.89	2.95	3.91	32.5	23.91	8.23	9.67
Murray Ohio Manufacturing	17⅛	3.43	2.78	3.68	32.3	4.85	1.70	6.47
Gearhart Industries	42¼	1.13	1.80	2.38	32.3	17.51	3.76	4.09
Fieldcrest Mills	27¼	6.56	4.43	5.85	32.2	4.70	10.21	27.59
Analogic	28¾	0.68	0.87	1.16	32.1	26.38	2.33	4.46
United States Surgical	47	1.36	1.77	2.33	32.0	20.38	2.93	6.58
House of Fabrics	6⅜	0.46	0.73	0.97	31.8	6.72	7.87	5.97
RLC	15⅞	2.28	1.86	2.45	31.7	6.52	8.15	8.53
Allen Group	19	2.44	2.39	3.15	31.5	6.03	17.95	15.26
Monsanto	56	9.04	7.20	9.46	31.5	5.85	6.77	13.93
Goodyear Tire & Rubber	16¼	2.02	2.05	2.69	31.4	6.03	11.63	12.15
JC Penney	23	3.52	3.23	4.24	31.4	5.31	10.17	10.70
Stewart & Stevenson Services	25½	3.33	2.82	3.70	31.4	6.89	4.10	4.87
Gould	23⅝	3.71	2.95	3.87	31.2	6.17	4.62	6.14
Koppers	31⅝	3.27	2.52	3.31	31.2	9.71	5.35	7.04
Galveston Houston	33½	1.41	1.89	2.47	31.1	13.74	7.92	4.78
Oak Industries	49¾	2.45	2.91	3.81	31.0	12.64	6.56	6.55
Savannah Electric & Power	9½	1.24	1.45	1.90	31.0	5.13	17.92	5.26
Humana	59¼	1.98	3.02	3.95	30.9	15.28	2.04	2.76
FW Woolworth	25½	5.07	4.36	5.70	30.8	4.41	6.97	6.92
Whirlpool	22⅞	3.06	2.05	2.68	30.8	8.29	12.34	11.24

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.

Rising stars

Company	Recent price	Earnings per share[1] 1979	1980 (est)	1981 (est)	% increase of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2] 1980	1981
Freeport Minerals	65⅛	$3.06	$4.83	$6.31	30.6%	10.46	8.24%	14.78%
National Semiconductor	42½	2.58	3.04	3.97	30.6	10.81	10.34	39.08
Greyhound	14⅞	2.60	2.27	2.96	30.4	5.07	8.81	6.23
James River	20⅛	3.24	3.34	4.35	30.3	4.66	11.50	5.01
Georgia-Pacific	27⅝	3.03	2.19	2.86	30.2	9.53	5.39	9.30
Vermont American	18⅝	2.33	2.18	2.83	30.2	6.75	9.43	4.44
Bic Pen	18	1.36	1.73	2.25	30.1	8.22	4.38	4.80
Scientific-Atlanta	41⅛	0.89	1.31A	1.70	29.8	24.20	NM	4.63
Frontier Airlines	15	2.40	1.91	2.47	29.3	6.12	6.92	2.20
National Medical Enterprises	52½	2.74	3.56	4.60	29.3	11.58	3.53	7.32
Payless Cashways	13¾	1.25	1.22	1.57	29.3	8.75	10.12	8.15
Dana	23¾	5.03	3.00	3.87	29.1	6.08	10.61	11.46
Johns-Manville	29⅝	4.13	3.00	3.87	29.0	7.40	6.38	10.46
Oscar Mayer	17⅛	2.90	1.92	2.48	29.0	6.95	24.74	11.00
Polaroid	29¾	1.10	2.27	2.92	29.0	10.39	17.46	13.53
Mitchell Energy & Development	46¾	1.70	2.71	3.50	28.9	13.36	7.50	11.07
Great Lakes Chemical	46⅞	2.65	2.83	3.64	28.6	12.54	3.78	8.19
Toys R Us	33½	1.83	2.24	2.88	28.4	11.55	6.30	8.83
Transway International	25¼	5.15	4.29	5.50	28.3	4.45	1.48	7.87
Petrolite	89¼	2.64	4.09	5.23	28.0	17.01	7.22	7.07
Helmerich & Payne	83¾	2.63	3.67	4.69	27.8	18.45	3.95	5.30
Potlatch	39⅜	4.69	3.17	4.05	27.8	9.79	7.80	13.16
Ocean Drilling & Exploration	46	1.05	2.57	3.28	27.6	13.76	8.33	12.29
Anchor Hocking	18⅝	3.09	2.58	3.29	27.5	5.70	11.12	10.33
Scott & Fetzer	22¼	4.62	3.26	4.16	27.5	5.44	3.40	7.08
Millipore	30⅞	1.71	1.91	2.43	27.4	13.05	3.50	3.60
Tyler	15⅛	2.34	1.84	2.35	27.4	6.54	12.38	11.77
Sears, Roebuck	16⅝	2.54	2.21	2.81	27.3	6.00	8.57	7.91
Rowan Cos	40¾	1.33	2.46	3.12	27.2	13.28	8.94	11.66
White Consolidated Industries	27⅛	4.39	3.58	4.55	27.2	5.82	8.03	10.55
Champion International	25¼	4.42	2.85	3.62	27.1	7.04	7.53	18.85
Materials Research	40¾	1.23	1.86	2.37	27.1	16.69	5.08	6.45
Allis-Chalmers	31¾	6.23	3.93	4.98	26.9	6.35	9.32	6.87
Schlumberger	152¾	5.18	7.17	9.11	26.9	16.83	3.44	4.84
Thomas Industries	13¼	2.00	1.55	1.97	26.9	6.80	3.23	2.94
Airborne Freight	24	2.17	2.24	2.84	26.7	8.44	6.92	4.65
Anglo Co Ltd	33	2.05	2.18	2.76	26.7	12.13	3.84	3.42
Hospital Corporation of America	50	2.03	2.62	3.32	26.7	15.40	1.99	3.62
Kaufman & Broad	11¾	1.54	1.28	1.62	26.7	7.50	11.92	21.92
Varco International	39	1.17	2.02	2.56	26.7	15.03	4.64	6.38
Milton Bradley	38	4.59	4.75	6.01	26.6	6.53	7.23	6.17
Federal Mogul	20⅛	3.31	2.84	3.60	26.5	5.66	4.45	2.78
Golden West Financial	18½	2.61	2.75	3.48	26.5	5.38	3.14	5.20
Metpath	36¾	0.44	2.07	2.62	26.5	14.21	3.71	8.87
Nicolet Instrument	27¼	1.00	1.21	1.53	26.5	17.77	3.95	6.79
Southern Pacific	38⅜	6.67	4.28	5.42	26.5	7.13	13.45	16.68
Sunbeam	18⅛	3.30	2.80	3.54	26.5	5.19	10.86	5.01
Centex	42¼	2.90	2.68	3.39	26.4	12.69	9.08	16.71
Natomas	38⅜	2.56	4.14	5.23	26.4	7.94	10.86	9.80
Signal Companies	46	5.28	4.22	5.33	26.3	8.63	8.62	13.33
Wm Wrigley Jr	35¼	4.62	3.92	4.95	26.3	7.22	4.91	3.03
McDonnell Douglas	38⅝	5.06	4.26	5.38	26.2	7.13	6.89	5.76
American Natural Resources	45⅞	5.13	4.99	6.28	25.9	7.13	10.29	9.52
Reading & Bates	43	1.93	3.33	4.20	25.9	10.45	7.89	8.32
SCA Services	18¾	1.01	1.30	1.64	25.9	11.83	3.31	7.91
K mart	20⅝	2.84	2.68	3.36	25.5	6.06	6.81	6.81
Mesa Royalty Trust	41¾	−0.07	2.43	3.05	25.5	13.61	13.46	2.32
UA Columbia Cablevision	79½	1.27	1.59	2.00	25.5	39.83	2.63	6.35
Charter Medical	51¾	1.99	2.57	3.22	25.3	15.62	7.38	10.35
MacMillan	14¼	0.88	1.52	1.90	25.3	7.63	1.90	5.26
HJ Wilson	20⅜	1.97	2.18	2.72	25.2	7.43	5.82	2.37
Weyerhaeuser	35⅞	4.02	2.95	3.69	25.1	9.66	8.65	15.11

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. A: Actual. NM: Not meaningful.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.

Big stars

For most of the 30 Dow Jones industrial stocks 1981 will be a much better year than 1980, but only slightly better than 1979.

Company	Recent price	Earnings per share[1] 1979	Earnings per share[1] 1980 (est)	Earnings per share[1] 1981 (est)	% increase of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2] 1980	% variation in earnings estimates[2] 1981
Allied Chemical	56¼	$6.18	$8.00	$9.43	17.8%	5.95	4.20%	5.07%
Aluminum Co of America	72¼	14.29	12.89	11.40	–11.6	6.24	7.70	13.59
American Brands	83⅛	12.00	12.99	13.92	7.1	5.99	4.75	5.15
American Can	33⅞	6.18	5.27	5.92	12.3	5.64	7.88	9.41
American Telephone & Telegraph	52⅛	8.04	8.05	8.48	5.3	6.21	1.17	3.04
Bethlehem Steel	25⅛	6.31	2.07	3.82	84.7	6.50	26.18	25.35
EI Du Pont de Nemours	45	6.42	5.04	6.16	22.4	7.30	7.63	9.42
Eastman Kodak	68	6.20	6.91	7.79	12.8	8.84	3.98	5.27
Exxon	75¼	9.74	12.51	13.12	4.9	5.75	4.63	6.03
General Electric	54⅜	6.20	6.43	6.98	8.6	7.75	1.11	3.61
General Foods	29½	5.12	5.41	5.97	10.3	5.07	2.31	2.29
General Motors	52⅛	10.04	–2.11	5.61	NA	9.41	NM	25.42
Goodyear Tire & Rubber	16¼	2.02	2.05	2.69	31.4	6.03	11.63	12.15
Inco Ltd	23¾	1.58	3.04	3.34	9.8	7.07	17.04	21.19
International Business Machines	70⅛	5.16	5.65	6.45	14.2	10.85	2.44	3.84
International Harvester	34⅝	10.32	–8.01	5.63	NA	6.15	NM	28.40
International Paper	39½	5.89	5.12	4.94	–3.5	7.99	7.59	13.05
Johns Manville	29⅝	4.13	3.00	3.87	29.0	7.40	6.38	10.46
Merck & Co	79¼	4.92	5.74	6.55	14.0	12.23	1.29	2.27
Minnesota Mining & Manufacturing	55⅞	5.59	5.76	6.47	12.3	8.81	2.18	4.33
Owens-Illinois	24⅝	4.21	3.91	4.47	14.4	5.17	9.96	11.56
Procter & Gamble	71¾	6.99	7.78A	8.61	10.7	8.33	NM	2.31
Sears, Roebuck & Co	16⅝	2.54	2.21	2.81	27.3	6.00	8.57	7.91
Standard Oil of Calif	84⅛	10.44	12.77	13.52	5.9	6.43	4.84	6.39
Texaco	36½	6.48	8.06	8.60	6.7	4.31	4.24	6.42
Union Carbide	46⅝	8.47	9.49	10.13	6.8	4.65	9.26	11.44
US Steel	21⅞	–4.46	2.45	3.44	40.4	6.31	31.52	25.20
United Technologies	53¾	5.71	6.29	7.01	11.4	7.76	0.84	3.79
Westinghouse Electric	27¼	3.85	4.52	4.77	5.6	5.63	2.33	5.50
FW Woolworth	25½	5.07	4.36	5.70	30.8	4.41	6.97	6.92
Dow Jones industrials		185.63	167.65	207.60				

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of the analysts' estimates fall. The lower the percentage, the greater the agreement among analysts. A: Actual. NA: Not applicable. NM: Not meaningful.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.

Falling stars

The analysts think that a recovery is at hand. Last year we had 118 falling stars—companies expected to earn less next year than this year. This year's estimates show only 33 falling stars for 1981.

Company	Recent price	Earnings per share[1] 1979	Earnings per share[1] 1980 (est)	Earnings per share[1] 1981 (est)	% decrease of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2] 1980	% variation in earnings estimates[2] 1981
Kaiser Aluminum & Chemical	26⅜	$5.66	$5.77	$4.96	–14.1%	5.30	7.22%	14.98%
Texasgulf	58⅝	4.05	7.00	6.08	–13.1	9.50	11.33	16.97
Reynolds Metals	38⅛	8.16	7.83	6.89	–12.0	5.52	9.28	18.60
Aluminum Co of America	72¼	14.29	12.89	11.40	–11.6	6.24	7.70	13.59
Occidental Petroleum	32⅛	6.66	7.93	7.08	–10.7	4.41	6.81	18.59
Portec	18⅜	1.74	2.41	2.18	–9.8	8.39	4.27	8.94
Alcan Aluminium	36½	5.02	5.89	5.38	–8.7	6.87	6.41	7.02
Amsted Industries	45⅛	5.88	6.92	6.32	–8.6	7.06	4.11	13.25
Bankers Trust	54½	9.37	14.62	13.39	–8.4	4.04	10.09	9.05
Bucyrus-Erie	26⅞	2.75	2.36	2.18	–7.6	12.37	4.85	11.50
Cincinnati Milacron	51¼	3.70	4.02	3.76	–6.5	13.58	20.02	6.26
Engelhard Minerals	60⅜	5.32	7.32	6.92	–5.5	8.60	10.06	15.53
AMAX	47⅝	6.49	7.70	7.30	–5.1	6.55	10.43	14.15
North American Coal	45	3.84	3.98	3.78	–5.1	11.65	1.18	5.11
Ideal Basic Industries	26⅝	4.50	4.02	3.82	–4.8	7.16	8.31	23.04

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of the analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.

Falling stars

Company	Recent price	Earnings per share[1]			% decrease of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2]	
		1979	1980 (est)	1981 (est)			1980	1981
Kemper	36¼	$6.82	$7.05	$6.75	–4.3%	5.41	4.94%	12.05%
Chubb	43½	7.87	7.78	7.47	–3.9	5.86	5.42	14.30
US Fidelity & Guaranty	43	8.27	8.32	8.01	–3.8	5.35	4.42	13.08
International Paper	39½	5.89	5.12	4.94	–3.5	7.99	7.59	13.05
Southern Co	12¼	1.51	1.89	1.82	–3.4	6.71	4.65	6.43
Crum & Forster	32	5.24	5.54	5.37	–3.2	6.06	6.34	13.95
Alexander Baldwin	37¼	3.89	5.94	5.78	–2.7	6.53	16.15	30.08
Newmont Mining	54⅞	7.05	7.65	7.45	–2.7	7.30	7.90	19.74
Timken	65¾	9.14	8.28	8.06	–2.7	8.12	2.87	15.48
Shell Transport	39¾	10.01	7.87	7.68	–2.3	5.29	8.54	6.55
Jos Schlitz Brewing	7⅞	–0.38	0.82	0.81	–1.4	10.02	33.70	39.50
Union Electric	11½	1.73	1.79	1.77	–1.3	6.50	5.85	5.51
Continental Corp	27⅝	5.35	5.01	4.95	–1.2	5.61	4.58	10.95
Ohio Casualty	38⅝	7.11	6.15	6.07	–1.2	6.38	7.40	17.22
Pacific Gas & Electric	21½	3.55	3.86	3.81	–1.2	5.71	3.84	3.68
St Regis Paper	34⅛	4.87	4.94	4.90	–0.8	7.07	7.31	12.62
Southern Union	41⅜	4.78	5.62	5.57	–0.8	7.27	5.44	10.50
Royal Dutch Petroleum	92⅞	31.03	23.06	23.02	–0.2	4.04	12.66	11.42

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of the analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.

Overlooked stars

If the IBES 1981 estimates are correct, these 258 stocks, all selling at price/earnings multiples less than 6.0, are on the bargain counter.

Company	Recent price	Earnings per share[1]			% increase of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2]	
		1979	1980 (est)	1981 (est)			1980	1981
New England Merchants	26⅝	$5.81	$7.38	$8.04	9.0%	3.31	5.96%	1.15%
PSA	26¾	5.28	6.50	8.00	23.1	3.34	25.60	12.48
Stop & Shop	14¼	3.70	2.58	3.92	51.7	3.45	20.79	9.75
Savin	12¾	4.35	3.15	3.75	19.1	3.50	8.67	10.41
First Wisconsin	23¾	5.53	5.98	6.43	7.5	3.69	0.49	0.90
Equimark	9⅛	1.60	1.77	2.47	39.8	3.70	10.77	31.12
Irving Bank	39	7.84	9.72	10.26	5.6	3.80	0.74	5.37
Colonial Penn Group	17⅞	4.45	4.50	4.65	3.4	3.84	1.53	4.51
Maryland National	17½	3.63	4.20	4.54	8.0	3.86	4.46	6.87
Sea Containers	23⅜	3.68	5.78	6.19	7.1	3.92	13.05	21.73
Michigan National	19½	4.70	4.59	4.97	8.5	3.92	4.21	6.44
TRANSOHIO Financial	11¼	3.43	1.00	2.83	183.3	3.93	75.00	26.96
First Union	17	3.50	4.05	4.27	5.4	3.98	2.32	5.03
HF Ahmanson & Co	21⅜	5.11	2.56	5.31	107.6	4.03	19.99	14.21
Royal Dutch Petroleum	92⅞	31.03	23.06	23.02	–0.2	4.04	12.66	11.42
United Virginia Bankshares	26	5.50	6.11	6.40	4.8	4.04	1.11	2.10
Bankers Trust New York	54½	9.37	14.62	13.39	–8.4	4.04	10.09	9.05
Virginia National Bankshares	14¼	3.13	3.37	3.55	5.5	4.05	6.70	9.24
Zayre	18	3.13	2.90	4.26	46.7	4.11	12.58	8.24
Chase Manhattan	42⅛	8.30	9.77	10.25	4.9	4.11	4.15	5.40
Wells Fargo & Co	25⅜	5.75	5.45	6.09	11.8	4.19	6.58	6.65
Philadelphia National	32⅝	7.77	7.36	7.75	5.3	4.19	0.66	3.07
Manufacturers Hanover	31½	6.42	6.95	7.41	6.7	4.21	2.39	3.19
Bank of Virginia	13¾	3.15	2.79	3.20	14.8	4.22	6.41	7.00
First National Boston	36⅛	6.90	7.80	8.03	3.0	4.28	2.08	3.11
Pentair	17¼	4.19	3.93	4.03	2.5	4.28	11.15	15.05
Texaco	36½	6.48	8.06	8.60	6.7	4.31	4.24	6.42
LTV	13	5.23	1.90	3.04	60.2	4.36	29.69	21.61
Citicorp	20¾	4.15	4.19	4.70	12.2	4.36	4.89	7.35
Security Pacific	29⅝	5.97	6.27	6.75	7.6	4.37	1.70	2.48
Chemical New York	41⅜	7.97	8.99	9.42	4.8	4.38	4.29	5.37
National Detroit	30¾	6.44	6.71	6.89	2.6	4.39	6.30	2.34

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of the analysts' estimates fall. The lower the percentage, the greater the agreement among analysts. NA: Not applicable. NM: Not meaningful.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.

Overlooked stars

Company	Recent price	Earnings per share[1] 1979	Earnings per share[1] 1980 (est)	Earnings per share[1] 1981 (est)	% increase of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2] 1980	% variation in earnings estimates[2] 1981
FW Woolworth	25½	$5.07	$4.36	$5.70	30.8%	4.41	6.97%	6.92%
Occidental Petroleum	32⅛	6.66	7.93	7.08	–10.7	4.41	6.81	18.59
Cluett, Peabody	9½	1.76	1.79	2.15	20.3	4.42	9.24	16.28
NCNB	13⅜	2.46	2.83	3.01	6.2	4.44	3.35	6.42
Jonathan Logan	11⅞	1.07	1.69	2.59	52.8	4.44	25.30	22.13
Transway International	25¼	5.15	4.29	5.50	28.3	4.45	1.48	7.87
Cone Mills	41	7.54	8.69	9.12	4.9	4.46	2.76	13.17
Loews	86¼	17.65	16.78	18.75	11.7	4.55	14.97	23.13
Western Bancorporation	30¼	5.68	6.05	6.55	8.1	4.56	2.70	5.00
Eastern Air Lines	8	2.10	–0.81	1.75	NA	4.57	NM	37.53
Ponderosa Systems	11½	2.94	2.06	2.51	21.9	4.58	43.85	16.98
Colonial Life & Accident	14½	2.67	2.84	3.16	11.4	4.58	4.01	5.22
Atlanta Gas Light	14⅞	2.61	2.93	3.22	9.7	4.59	6.45	6.28
Ameritrust	33	6.24	6.83	7.21	5.6	4.61	2.29	3.22
Great Western Financial	20⅛	4.15	2.13	4.45	108.7	4.63	12.73	18.68
American Security	32¾	5.97	6.55	7.07	7.9	4.63	2.29	5.36
Flagship Banks	15¾	2.68	3.12	3.39	8.7	4.65	5.14	6.21
Union Carbide	46⅝	8.47	9.49	10.13	6.8	4.65	9.26	11.44
James River	20⅛	3.24	3.34	4.35	30.3	4.66	11.50	5.01
USLIFE	21⅝	3.91	4.15	4.67	12.5	4.66	4.64	3.63
Federal Natl Mortgage	14⅝	2.68	0.95	3.16	234.1	4.66	22.70	15.56
Nashua	26⅞	5.75	4.61	5.68	23.1	4.66	11.63	19.14
Pittsburgh National	44½	7.97	8.92	9.37	5.1	4.70	4.28	6.23
Fieldcrest Mills	27¼	6.56	4.43	5.85	32.2	4.70	10.21	27.59
Kerr Glass Mfg	11⅛	1.58	2.06	2.39	16.3	4.71	14.06	15.71
Overnite Transportation	25⅝	5.31	4.89	5.41	10.6	4.71	4.84	7.76
Continental Illinois	28¾	4.95	5.72	6.09	6.5	4.72	4.36	4.69
Southeast Banking	17⅜	2.93	3.32	3.64	9.4	4.74	1.75	3.94
Northwestern Natl Life	31⅝	5.50	6.08	6.65	9.4	4.76	1.38	1.51
Northern Calif S&L	14⅞	3.40	1.36	3.17	133.1	4.78	46.35	15.30
Harris Bankcorp	27	5.22	5.66	5.69	0.6	4.79	3.03	10.52
Dorsey	16	3.11	2.86	3.39	18.3	4.80	6.12	11.23
National City	37¼	6.79	7.28	7.72	6.0	4.83	1.90	5.38
General Public Utilities	5⅛	1.56	0.56	1.06	90.3	4.83	41.59	21.46
Subaru of America	15	1.74	2.56	3.10	21.0	4.84	4.33	6.84
Murray Ohio Manufacturing	17⅛	3.43	2.78	3.68	32.3	4.85	1.70	6.47
Houston Industries	26⅞	4.84	5.09	5.44	7.0	4.87	2.88	2.63
National Can	23⅜	4.55	4.63	4.79	3.4	4.88	6.95	11.03
Rainier Bancorporation	24	4.25	4.54	4.89	7.8	4.91	2.04	2.80
Resorts International	27¼	6.84	5.03	5.60	11.3	4.91	8.97	18.02
Blue Bell	29	5.36	5.50	5.95	8.2	4.92	1.82	6.23
Mellon National Corp	30¼	5.15	5.67	6.06	6.8	4.93	2.77	5.07
First Bank System	37¼	6.56	7.07	7.50	6.1	4.93	2.51	2.94
Liberty National Life Insurance	18⅜	3.19	3.30	3.70	12.4	4.96	2.49	2.66
United Services Life	16⅞	2.71	3.02	3.40	12.4	4.96	1.65	2.55
Travelers	43½	8.92	8.70	8.74	0.4	4.96	5.14	11.59
Ball Corp	28	4.75	5.11	5.58	9.2	4.97	1.30	3.62
Capital Holding	17⅝	2.96	3.23	3.54	9.6	4.98	1.30	2.81
Transamerica	19½	3.66	3.69	3.90	5.8	5.00	2.97	2.91
Walter E Heller International	20½	3.40	3.72	4.09	10.0	5.01	6.56	10.87
Trust Co of Georgia	36¼	5.64	6.86	7.23	5.4	5.01	2.33	3.48
BankAmerica	25¼	4.10	4.53	4.98	9.8	5.02	2.31	6.02
Mercantile Stores	35¾	7.25	6.21	7.07	13.8	5.02	3.50	5.76
Gibraltar Financial	10⅜	2.12	–0.01	2.04	NA	5.04	NM	21.09
Northwest Bancorporation	25¼	4.25	4.58	4.93	7.6	5.05	2.16	3.31
Allied Stores	22¾	4.35	3.81	4.54	19.2	5.06	4.54	6.64
Kidde	39¾	6.77	7.22	7.90	9.3	5.07	3.47	7.50
General Foods	29½	5.12	5.41	5.97	10.3	5.07	2.31	2.29
Greyhound	14⅞	2.60	2.27	2.96	30.4	5.07	8.81	6.23
The Liberty Corp	14⅜	2.56	2.60	2.90	11.7	5.08	4.22	4.40
First Chicago	16	2.91	2.50	3.12	24.7	5.08	8.38	10.39
GDV	15⅛	3.22	1.80	3.03	68.5	5.11	8.33	9.94
Southern California Edison	24¼	4.56	4.04	4.79	18.5	5.11	3.91	3.73
Western Casualty & Surety	40½	7.70	7.81	8.01	2.6	5.12	3.06	12.89

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of the analysts' estimates fall. The lower the percentage, the greater the agreement among analysts. NA: Not applicable. NM: Not meaningful.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.

Overlooked stars

Company	Recent price	Earnings per share[1]			% increase of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2]	
		1979	1980 (est)	1981 (est)			1980	1981
Crown Cork & Seal	27¾	$4.65	$4.96	$5.42	9.1%	5.12	3.25%	8.97%
Household Finance	18½	3.15	3.07	3.56	16.0	5.12	6.17	8.39
Savannah Electric & Power	9½	1.24	1.45	1.90	31.0	5.13	17.92	5.26
Gordon Jewelry	27	4.91	5.22	5.25	0.5	5.14	9.13	14.15
British Petroleum	39½	9.32	7.32	7.70	5.1	5.15	22.99	20.41
Beneficial	22	4.17	3.69	4.34	17.6	5.15	5.83	5.62
Owens-Illinois	24⅝	4.21	3.91	4.47	14.4	5.17	9.96	11.56
Fox-Stanley Photo Products	11½	1.72	1.86	2.20	18.3	5.17	7.58	9.75
Brown Group	34⅛	5.72	5.95	6.60	10.8	5.17	3.82	1.58
JP Morgan	45¾	7.07	8.30	8.65	4.2	5.18	3.31	3.62
Sunbeam	18⅛	3.30	2.80	3.54	26.5	5.19	10.86	5.01
GAF	13	1.83	1.51	2.43	61.3	5.19	27.99	26.02
Crocker National	37	6.01	6.28	6.76	7.6	5.20	3.52	4.48
Jefferson-Pilot	26⅛	4.43	4.61	5.12	11.1	5.20	2.72	2.71
Consolidated Edison	24¾	4.51	4.41	4.71	6.9	5.20	2.72	6.27
Gerber Products	25¾	3.45	3.94	4.75	20.6	5.21	12.05	20.16
International Multifoods	18½	2.31	3.14	3.54	12.7	5.23	6.70	7.77
Equitable Savings & Loan	18⅛	4.13	0.90	3.46	284.7	5.23	152.90	40.90
Provident Life & Accident	46½	7.52	8.16	8.97	9.9	5.24	3.38	6.13
SEAFIRST	26¼	4.35	4.70	5.00	6.3	5.25	2.24	4.22
Palm Beach	22⅛	3.71	3.67	4.28	16.7	5.25	4.53	9.32
Republic Auto Parts	7½	1.06	1.17	1.43	21.9	5.26	4.87	9.95
Progressive Corp (Ohio)	24	3.09	4.94	4.55	−7.8	5.27	11.04	24.35
Monarch Capital	20⅜	3.40	3.61	3.89	7.8	5.27	2.00	2.20
Texas American Bancshares	27¼	3.94	4.65	5.07	9.0	5.28	3.54	3.58
Seaboard Coast Line	51¾	8.88	8.18	9.96	21.7	5.28	9.05	14.37
Shell Transport & Trading	39¾	10.01	7.87	7.68	−2.3	5.29	8.54	6.55
Kaiser Aluminum & Chemical	26⅜	5.66	5.77	4.96	−14.1	5.30	7.22	14.98
JC Penney	23	3.52	3.23	4.24	31.4	5.31	10.17	10.70
Pennsylvania Power & Light	16⅞	3.32	2.86	3.18	11.0	5.31	5.33	3.96
JWT Group	27	4.51	4.54	5.08	11.8	5.34	23.43	23.20
Kroger	20½	3.13	3.42	3.89	13.8	5.34	2.17	3.66
Heck's	16½	2.29	2.60	3.00	15.4	5.34	3.95	2.59
Northeast Utilities	8½	1.22	1.35	1.57	15.8	5.34	5.62	7.98
Wachovia	18⅝	2.98	3.31	3.53	6.9	5.34	2.33	2.74
Hart Schaffner & Marx	14⅝	2.45	2.56	2.76	7.7	5.35	3.21	6.41
Supermarkets General	16⅝	2.57	2.80	3.13	12.0	5.35	2.83	4.08
US Fidelity & Guaranty	43	8.27	8.32	8.01	−3.8	5.35	4.42	13.08
So Indiana Gas & Electric	18¼	2.29	3.19	3.38	6.0	5.36	1.41	2.02
Gulf & Western	18¼	2.68	3.16	3.45	9.1	5.36	5.06	2.90
USAir	14⅜	2.24	2.60	2.70	3.9	5.37	15.71	38.80
Golden West Financial	18½	2.61	2.75	3.48	26.5	5.38	3.14	5.20
Middle South Utilities	12	2.13	2.05	2.22	8.3	5.40	3.51	5.40
Central Hudson Gas & Electric	18⅜	3.27	3.20	3.33	4.2	5.40	3.83	3.12
First Charter Financial	17⅝	3.05	1.43	3.26	127.3	5.40	15.15	15.80
Kemper	36¼	6.82	7.05	6.75	−4.3	5.41	4.94	12.05
Levitz Furniture	26⅜	4.84	3.47	4.90	41.0	5.41	8.33	8.54
Brockway Glass	16½	2.29	2.51	3.05	21.5	5.41	4.78	7.27
BF Goodrich	22⅜	4.89	3.06	4.13	35.2	5.41	7.44	17.56
Stauffer Chemical	18⅝	3.10	3.04	3.45	13.7	5.43	5.43	9.13
Gulf Oil	45	6.78	7.73	8.44	9.2	5.43	5.82	7.34
Scott & Fetzer	22¼	4.62	3.26	4.16	27.5	5.44	3.40	7.08
Borden	27	4.31	4.68	4.73	1.1	5.44	3.76	6.64
Barnett Banks of Florida	26	3.77	4.34	4.72	8.8	5.45	2.02	3.55
Xtra	21½	5.10	2.31	3.87	67.2	5.46	31.70	32.75
Financial Corp of Santa Barbara	17⅛	3.14	1.21	3.15	159.6	5.48	42.89	18.92
NLT	23⅜	3.85	4.06	4.40	8.6	5.48	2.05	3.33
Sun Banks of Florida	15¼	2.25	2.50	2.76	10.3	5.48	2.73	3.84
JP Stevens & Co	17¼	3.22	2.71	3.09	14.2	5.50	8.20	17.33
Consolidated Freightways	26⅝	5.06	3.27	4.80	46.6	5.50	14.97	14.21
Reynolds Metals	38⅛	8.16	7.83	6.89	−12.0	5.52	9.28	18.60
APS	9⅜	1.41	1.45	1.67	15.1	5.52	5.79	7.11
Berkey Photo	5⅝	0.63	0.86	1.02	18.2	5.53	17.56	17.27

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of the analysts' estimates fall. The lower the percentage, the greater the agreement among analysts.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.

Overlooked stars

Company	Recent price	Earnings per share[1] 1979	Earnings per share[1] 1980 (est)	Earnings per share[1] 1981 (est)	% increase of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2] 1980	% variation in earnings estimates[2] 1981
International Tel & Tel	31¼	$2.65	$5.30	$5.69	7.3%	5.54	4.08%	5.78%
Gulf States Utilities	11⅛	1.74	1.98	2.01	1.4	5.54	6.00	6.50
Harcourt Brace Jovanovich	37⅛	5.46	5.83	6.56	12.5	5.55	0.99	5.14
St Paul Cos	39⅜	7.30	6.98	7.09	1.6	5.55	4.11	9.79
Lincoln National Corp	42	6.85	7.17	7.49	4.6	5.56	3.61	7.77
Public Service New Mexico	18¾	2.97	3.09	3.35	8.4	5.56	2.11	12.95
Northwest Industries	33¾	5.60	5.24	6.17	17.8	5.57	5.29	5.84
Central & South West	13⅜	2.27	2.33	2.42	3.6	5.58	3.00	4.70
Barnes Group	22¼	3.68	3.32	3.92	17.8	5.59	5.82	3.69
Boston Edison	21	3.52	3.33	3.71	11.4	5.60	6.98	5.15
US Bancorp	25	3.69	4.06	4.46	9.8	5.60	1.57	1.44
Safeway Stores	32¼	5.49	4.87	5.59	14.9	5.61	6.73	10.53
Continental	27⅝	5.35	5.01	4.95	–1.2	5.61	4.58	10.95
First Security	19⅞	3.05	3.33	3.54	6.3	5.62	6.00	8.95
Minnesota Power & Light	17¾	2.92	2.87	3.11	8.6	5.62	6.11	7.23
Westinghouse Electric	27¼	3.85	4.52	4.77	5.6	5.63	2.33	5.50
American Can	33⅞	6.18	5.27	5.92	12.3	5.64	7.88	9.41
NY State Electric & Gas	16¼	2.83	2.82	2.87	1.8	5.65	2.25	3.83
Federal Mogul	20⅛	3.31	2.84	3.60	26.5	5.66	4.45	2.78
PPG Industries	36¼	6.47	5.35	6.45	20.4	5.66	5.46	11.92
Rochester Gas & Electric	13⅝	2.14	2.32	2.38	2.5	5.66	9.37	4.37
Moore McCormack Resources	49	7.10	7.80	9.06	16.1	5.67	2.58	4.49
Shaklee	22⅝	3.43	2.40	3.88	61.5	5.68	29.12	3.72
Emhart	34½	4.30	5.51	6.02	9.4	5.68	1.97	12.06
Carolina Power & Light	18¾	3.06	3.15	3.28	3.9	5.69	3.30	2.65
ARA Services	33	5.23	5.27	5.80	10.0	5.69	3.33	5.78
Colt Industries	46⅝	7.86	7.14	8.08	13.2	5.69	11.88	9.50
Continental Group	32¾	5.27	5.22	5.66	8.4	5.70	2.75	5.03
Ashland Oil	38¾	5.00	6.50	6.89	6.0	5.70	9.75	14.04
Pennwalt	28⅜	5.01	4.34	5.07	16.7	5.70	2.85	6.60
Anchor Hocking	18⅝	3.09	2.58	3.29	27.5	5.70	11.12	10.33
Consumers Power	18⅜	3.24	2.95	3.24	10.0	5.70	6.72	3.85
Wisconsin Public Service	17	2.81	2.75	2.89	5.2	5.70	3.32	3.07
Pacific Gas & Electric	21½	3.55	3.86	3.81	–1.2	5.71	3.84	3.68
Standard Pacific	13½	2.62	1.52	2.36	54.9	5.71	13.78	17.74
Olin	19¾	2.97	3.01	3.52	16.9	5.71	9.39	9.86
American Greetings	13⅜	1.88	2.05	2.34	13.9	5.72	1.64	2.98
Florida Power & Light	27⅛	4.22	4.34	4.74	9.4	5.72	3.71	2.83
Virginia Electric & Power	10⅝	1.63	1.77	1.90	7.1	5.72	4.92	5.46
Hammermill Paper	30⅝	4.47	4.91	5.22	6.3	5.72	7.84	8.74
Amfac	34	3.64	5.28	6.09	15.3	5.73	11.39	21.07
John Blair & Co	21¾	3.27	3.42	3.78	10.4	5.73	2.49	5.20
Eaton	30⅞	5.59	4.30	5.28	22.7	5.73	7.05	8.80
Niagara Mohawk Power	12⅛	2.00	2.02	2.16	6.9	5.73	5.12	6.94
Valley Natl Bank of Ariz	33½	4.75	5.30	5.84	10.2	5.74	3.35	3.50
Business Men's Assurance	35⅜	4.86	5.32	5.90	10.8	5.74	5.40	10.82
Orange & Rockland Utilities	12¾	2.00	2.16	2.28	5.8	5.75	2.01	2.53
Imperial Corp of Amer	29¾	5.24	2.95	5.11	73.2	5.75	10.45	7.07
Exxon	75¼	9.74	12.51	13.12	4.9	5.75	4.63	6.03
Florida Power	14½	2.07	2.21	2.52	13.8	5.76	5.17	6.08
Mead	26½	5.19	4.51	4.64	2.9	5.77	4.83	12.38
Foremost Corp of America	20½	2.34	2.93	3.53	20.5	5.77	3.94	1.63
Public Service of Indiana	21⅝	3.79	3.37	3.77	12.0	5.77	3.08	3.22
Internorth	33¾	4.08	5.04	5.81	15.3	5.77	3.31	7.55
Jewel Cos	32⅝	4.54	5.06	5.58	10.2	5.78	4.09	7.94
Textron	28	4.51	4.18	4.82	15.3	5.78	1.59	5.62
CFS Continental	10¼	1.52	1.51	1.75	15.9	5.79	2.77	4.52
Hyster	47⅝	10.48	6.72	8.05	19.7	5.79	15.86	14.96
Mobil	75⅛	9.46	12.81	13.10	2.3	5.80	5.77	8.37
Scott Paper	18⅜	3.52	3.02	3.09	2.6	5.82	11.55	9.25
Witco Chemical	30½	4.48	4.18	4.99	19.2	5.82	8.72	5.04
White Consolidated Industries	27⅛	4.39	3.58	4.55	27.2	5.82	8.03	10.55
Cannon Mills	27¼	4.06	3.91	4.76	21.6	5.83	9.12	5.45
Central Illinois Light	13⅞	2.38	2.09	2.40	14.7	5.83	6.31	3.29

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of the analysts' estimates fall. The lower the percentage, the greater the agreement among analysts.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.

Overlooked stars

Company	Recent price	Earnings per share[1]			% increase of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2]	
		1979	1980 (est)	1981 (est)			1980	1981
Mercantile Texas	29⅛	$3.81	$4.48	$4.94	10.3%	5.84	2.02%	3.19%
Sealed Power	22¾	4.35	2.25	3.96	75.9	5.84	14.40	10.88
Southland	22⅛	3.02	3.18	3.61	13.8	5.85	3.55	5.98
Monsanto	56	9.04	7.20	9.46	31.5	5.85	6.77	13.93
Chubb	43½	7.87	7.78	7.47	–3.9	5.86	5.42	14.30
General Tire & Rubber	20	3.44	0.83	3.43	311.6	5.87	36.73	29.87
Northern Indiana Public Service	12⅛	1.86	1.79	2.06	15.2	5.87	4.79	7.77
Burlington Industries	20¼	2.73	3.03	3.51	16.0	5.87	4.02	9.42
Scovill	18⅛	3.35	2.53	3.06	21.1	5.88	6.30	8.08
Beatrice Foods	20⅜	2.81	3.12	3.53	13.1	5.89	3.65	4.31
Lane Co	27½	4.62	4.40	4.67	6.1	5.89	8.50	8.44
Nabisco	25	3.10	3.88	4.28	10.4	5.90	1.53	2.10
Leggett & Platt	12⅜	1.70	1.54	2.12	37.7	5.91	3.11	5.94
Tucson Electric Power	14	2.17	2.24	2.37	5.8	5.92	2.72	4.20
Commonwealth Edison	19¼	2.51	3.00	3.31	10.5	5.93	2.69	2.90
Southwest Bancshares	29¾	3.91	4.63	5.14	11.2	5.93	1.86	2.77
Baltimore Gas & Elec	21⅝	3.40	3.38	3.64	7.7	5.93	3.76	1.75
Amerada Hess	38	6.07	6.27	6.42	2.4	5.94	5.10	9.72
Republic of Texas	30⅝	4.08	4.63	5.09	10.0	5.94	2.12	2.60
Evans Products	24½	4.65	3.51	4.20	19.8	5.95	13.51	13.39
McGraw-Edison	28⅞	4.44	2.94	4.77	62.0	5.95	8.63	4.59
Allied Chemical	56¼	6.18	8.00	9.43	17.8	5.95	4.20	5.07
First United Bancorporation	35	4.85	5.39	5.87	9.0	5.96	1.84	3.87
Marion	20⅝	2.79	3.21	3.44	7.0	5.96	2.33	9.15
New England Electric System	21½	3.45	3.46	3.60	4.0	5.97	1.31	2.05
Public Service Elec & Gas	18½	2.85	2.98	3.12	4.6	5.97	3.99	3.88
Aetna Life & Casualty	39	6.93	6.54	6.61	1.2	5.97	3.61	10.88
Kansas Power & Light	17⅝	2.80	2.87	2.95	2.6	5.97	2.40	4.48
Arizona Bank	18⅛	2.40	2.73	3.03	11.3	5.98	0.92	0.95
Collins & Aikman	8⅞	1.32	1.10	1.46	33.6	5.98	5.21	5.13
Arizona Public Service	17⅞	2.90	2.81	2.97	5.6	5.98	3.44	2.80
Central Illinois Public	11⅛	1.80	1.73	1.90	9.6	5.99	1.66	5.26
Easco	17⅜	2.21	1.52	2.88	89.3	5.99	30.80	7.17
American Brands	83½	12.00	12.99	13.92	7.1	5.99	4.75	5.15
Ferro	22	4.07	3.20	3.67	14.7	5.99	10.83	7.50

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of the analysts' estimates fall. The lower the percentage, the greater the agreement among analysts.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.

Recovering stars

Although these 14 companies will all lose money in 1980 the analysts are predicting all will earn at least 50 cents a share in 1981. Since all these companies have negative earnings in 1980, a percent increase figure would, of course, be meaningless.

Company	Recent price	Earnings per share[1]			% increase of 1981 over 1980	P/E based on 1981 estimates	% variation in earnings estimates[2]	
		1979	1980 (est)	1981 (est)			1980	1981
Continental Air Lines	7½	$–0.87	$–0.25	$0.80	NA	9.38	NM	99.57%
Eastern Air Lines	8	2.10	–0.81	1.75	NA	4.57	NM	37.53
Firestone Tire & Rubber	8⅝	1.17	–1.09	1.11	NA	7.85	NM	27.26
Ford Motor	28	9.75	–10.97	3.03	NA	9.37	NM	58.17
General Motors	52⅛	10.04	–2.11	5.61	NA	9.41	NM	25.42
Gibraltar Financial, Calif	10⅜	2.12	–0.01	2.04	NA	5.03	NM	21.09
International Harvester	34⅝	10.32	–8.01	5.63	NA	6.15	NM	28.40
Outboard Marine	13½	2.00	–0.13	1.86	NA	7.27	NM	22.79
Pan American World Airways	4⅞	0.96	–1.13	0.50	NA	9.92	NM	105.45
Republic Airlines	7⅝	0.70	–0.27	1.13	NA	6.97	NM	30.53
Trans World	16¼	–0.41	–0.24	2.23	NA	7.47	NM	43.06
UAL	18½	–2.50	–0.84	1.81	NA	.10.28	NM	126.84
Uniroyal	5¾	–1.41	–0.48	0.65	NA	9.01	NM	74.54
Western Air Lines	7⅜	2.31	–0.42	0.75	NA	9.47	NM	137.02

[1] For fiscal years ending June through May of the following year. [2] Percentage around the average, in which two-thirds of the analysts' estimates fall. The lower the percentage, the greater the agreement among analysts. NA: Not applicable. NM: Not meaningful.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.

NOTE

ONLY THE FOLLOWING PAGES OF THIS PUBLICATION

HAVE BEEN FILMED

Cover 1, p. 2-

3, 82-84, 113-

114, 117.

NOVEMBER 24, 1980 TWO DOLLARS

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Forbes

ROYAL DUTCH/SHELL'S MANAGING DIRECTORS

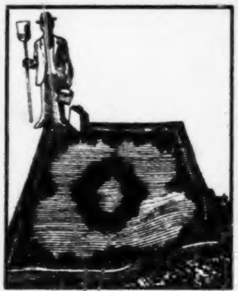
CAN THEY OVERTAKE EXXON?

Forbes

November 24, 1980
Volume 126, Number 11

129 Cover Story: Royal Dutch/Shell may not be the world's biggest oil company, but it may soon be the most profitable.

45 Why Marxists and Birchers love to hate the Trilateral Commission.



59 Local governments have learned about leasing, alas.

62 Irving Kahn today, the cable TV king who has done just about everything.

Features

Autos: Any Light At The Detroit End Of The Tunnel?
Those half-billion-dollar loss reports from U.S. automakers have produced public alarm, as well they might. But the industry may have hit bottom in the third quarter. 33

Taxes: Are You Listening, Teddy?
By voting to slash their property taxes by up to 75%, the voters in Senator Edward Kennedy's home state have pulled off the greatest tax revolt in Massachusetts since the Boston Tea Party. The question now is: How is the state going to keep from going broke? 34

Petrowar: Will Its End Mean A New Middle East Opening?
Who will rebuild the area's oil installations after the Iran-Iraq war? The great U.S. and European corporations, says a Middle East banker. 36

Tax-Free Loans: The Banks Learn How To Do Them
Across the country, so-called IRC—Industrial Revenue Credit—loans are being used to finance tax-free almost every kind of business except porno bookstores. 37

Energy: Plentiful, Cheap And Inexhaustible—It's Coming
A review of the steps by which we are approaching nuclear fusion—with industry playing a big role. 38

New Air Shuttle: New York To Washington At Low Fares
How is it done? "A carrier that operates at low cost without a fat operation can offer low fares and make a profit," says Texas Air. 40

Everybody's Plot: The Trilateral Commission
It seems to make a great target for all kinds of people, and for no good reason. 45

Shipping: The Bulk Cargo Trade Gets Well
Daily rates in the dry-bulk shipping trade have roughly doubled since 1977. 52

Companies: Northern Telecom
A sad demonstration of how the best strategy can be ruined by poor execution. The cost? A 70% profit dip. .57

Numbers Game: When Cities Adopt Business Accounting
They often choose the worst features. 59

Profile: Irving B. Kahn, Perpetual Motion Machine
If you made $50 million on one deal, how much vacation would you take? 62

Companies: Pay Less Drug Stores Northwest
Chairman Ed Hart may not know how to pick fancy towns, but he knows how to turn out fancy figures. 70

Companies: Litton Industries
Yesterday's helter-skelter conglomerate now has a nice problem—what to do with all its new cash. 73

Where Are They Now? Robert Hansberger's New Life
After floating out of Boise Cascade on a tide of red ink, guess what Bob Hansberger did? 76

Options: The Great Oct. 16, 1980 Milestone
On that day, for the first time, stock options trading exceeded the volume of shares traded on the NYSE. 82

Profile: The Return Of Max Palevsky
What do you do after getting $100 million selling your company to Xerox? 88

The Up-And-Comers: Vertipile Inc.
How to get rich—literally—from scraps. 93

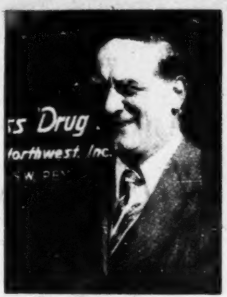
The Up-And-Comers: Trus Joist Corp.
Start with a bright idea and a beautiful management fit. 101

The Money Men: First Decide About Interest Rates
Then comes everything else. 104

Statistical Spotlight: Cash-Rich Companies
Company treasurers today often find they can do better investing than spending. 113

Pension Funds: The Rush Into Bricks And Mortar
Another case of being fashionable? 117

Real Estate: A New Star In Shopping Center Development
Chicago's Jacobs/Kahan is growing fast because its two partners *don't* long for the good old days. 125



70 **Pay Less Drug Stores NW: Unfashionable growth on the West Coast.**

73 **Litton: Can President O'Green find things to buy as precious as the things he already has?**

76 **Bob Hansberger has moved his synergy machine down the street and has started all over.**

145 **Organized crime and legit business: how the left hand meets the right hand, even when they don't have to.**

Money And Investments

Cover Story: Royal Dutch/Shell
"Now it's their turn not to sleep," says Dirk de Bruyne, the rosy-cheeked Dutchman who heads Royal Dutch/Shell. He's talking about his competitors. 129

Crime: Coming To Terms
More often than legitimate businesses wish to acknowledge, they and organized crime have learned how to accommodate each other to their mutual benefit. 145

Companies: The Fun Fund
"OPTIC" is very relaxed. And very profitable. 173

The Money Men: Robert Johnson
Why is DLJ's venture capital man so skeptical? 174

Personal Affairs

The IRS is watching a few things you may not have known about—your office at home, for one thing, tax-deferred annuities for another, even lithographic prints if you use them as tax shelters. But there's good news, too, even for big car lovers. 184

Faces Behind The Figures

John K. McKinley, *Texaco Inc.* 193
Luther Hodges Jr., *National Bank of Washington* 193
M. Lamar and Michael Muse, *Muse Air Corp.* 193
Paul Oreffice, *Dow Chemical Co.* 194
A.W. (Tom) Clausen, *World Bank* 194
John W. Mazzola, *Lincoln Center* 196
John L. Hanigan, *Genesco* 196
Wilbert H. Hopper, *Petro-Canada* 198
Robert M. McElwaine, *AIADA* 198
Ottis Dewey (Slim) Whitman, *Country Singer* 198
Sir Yue-Kong Pao, *World-Wide Shipping Group* 200
Peter Bushre, *Alaska State Treasurer* 200

The Economy: This Is Not A V-Shaped Recession
We are going to continue scraping along at current levels until 1981—Reagan's election notwithstanding. 203

Columnists

John Train 50
Ashby Bladen 181
Ben Weberman 204
Heinz H. Biel 206
Ann C. Brown 208
David Dreman 210
Stanley W. Angrist 212
Srully Blotnick 214

Departments

Side Lines 4
Trends 9
Follow-Through 14
Readers Say 20
Fact and Comment.......25
Other Comments 28
Editorial Index 218
Flashbacks 219
Thoughts..........................220

Photos: pp. 2 left, 36, 176, Robert Forbes; p. 2 right, John Moss/Black Star; p. 9, Jim Dunne; p. 14, Holly Kuper; pp. 33, 135, Robert Levin; pp. 45, 131, 132, 196 top, 198 right, Bill Kelly; p. 49, Dennis Brack/Black Star; pp. 50, 51, 152, 157, Wide World; p. 52, Jim Pickerell; p. 57, John Narvali; pp. 62, 66, Judith Gefter; p. 70, David Falconer; pp. 73, 74, Jim McHugh; pp. 76, 101, Chuck Kneyse/Black Star; p. 90, James Caccavo/Empire; p. 93, Steve Liss, Gamma Liaison; pp. 108, 118 top left, John Grossman; p. 118 bottom left, Ray Fisher; pp. 118 right, 120, John McDermott; pp. 125, 145, 148, Wm. Franklin McMahon; p. 133, Sebastian Kusenberg/Woodfin Camp; p. 147, Robert Kolfus/N.Y. Post; pp. 150, 193 right, UPI; p. 173, Dick Tolbert; p. 188, Ted Polumbaum; p. 193 left, Bill Ray; p. 194 left, Les Wollam; p. 194 right, Peter Yates/Black Star; p. 198 left, Bako/Becq; p. 200 center, Ray Cranbourne/Black Star; p. 200 right, Joseph Alexander

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Statistical Spotlight

Trading in stock options is almost as widespread as trading in stocks—and it's quite a bit more exciting.

Stock options come of age

By Steve Kichen

On Oct. 16, 1980, for the first time in market history, the total volume of stock underlying the options traded exceeded the volume of actual shares traded on the New York Stock Exchange. As the chart on the opposite page shows, even the average daily volume of underlying common shares on the four options exchanges is now approaching that of the NYSE.

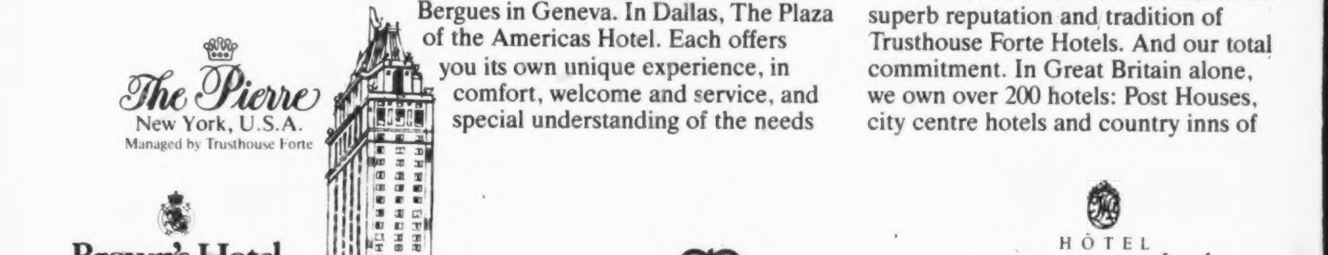
Each option is an option to buy or sell 100 shares of common stock at a fixed price (the strike price) on or before a fixed expiration date. An option to buy a stock at a fixed price is a "call" and an option to sell a stock at a fixed price is a "put." The appeal of call and put options is that they offer leverage: They reflect the movement of the underlying stock at a small fraction of the stock price.

What is remarkable about all this option volume is that an organized stock options market did not exist until about seven years ago, even though investors in the U.S. have traded stock options over-the-counter for well over 100 years.

Trading in options dates at least as far back as the tulip bulb craze in 17th-century Holland. However, in spite of the long history of options, few gave the Chicago Board Options Exchange (CBOE) much chance for success when it first began trading stock options on just 16 common stocks in 1973. In fact, the fledgling CBOE had to buy ad space in the *Wall Street Journal* to keep the investing public abreast of trading activity.

Now the CBOE lists options on 104 common stocks. Combined with the four other options exchanges that followed—the American, Philadelphia, Pacific and Midwest (merged into the CBOE in 1980)—options are now available in over 300 stocks. Naturally, those stocks selected for options are widely held, heavily traded and meet several other financial criteria.

In July 1977 the Securities & Exchange Commission placed a moratorium on expansion of options trading, fearing that its rapid growth might increase the volatility of the securities market itself. Having been satisfied that options trading was not threatening the stability of the market and that the exchanges had adequate controls, the SEC finally lifted its ban this spring, and



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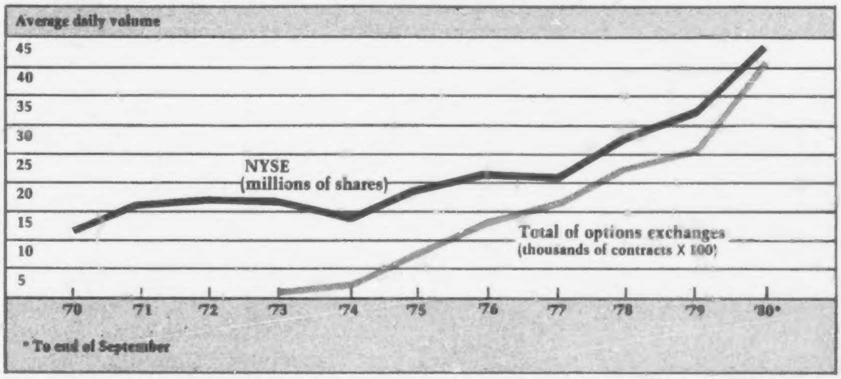
The explosion in options trading

In less than ten years the average daily volume of underlying common shares traded through options has come to rival the average daily volume of stocks traded on the New York Stock Exchange. At the rate options trading has expanded, average daily options volume will soon surpass the NYSE.



a total of 60 new call options and a smaller number of put options have been made available.

Prices of seats on the CBOE have boomed too. One of the best investments anyone could have made in 1973 was to purchase a $10,000 seat on the CBOE. Recently a CBOE seat went for $160,000—a 1,500% increase.

According to John MacKenzie, director of marketing at Monchik-Weber, a New York systems consulting firm actively involved in options monitoring, the age of enlightenment probably first began with Ed Thorp's book, *Beat the Market*, and with the work of professors Fischer Black and Myron Scholes at the University of Chicago. "A really significant intellectual interest developed in this betting game," says MacKenzie. The Fischer-Scholes options investment model has become to options traders what Benjamin Graham is to many stock traders.

Now the institutions are making greater use of options, thanks largely to a July 1979 regulation by the Department of Labor that permitted managers of funds covered by ERISA greater latitude in the use of options.

Options are used by institutions to generate additional income and protect portfolios against downside risk. For example, if an institution buys 1,000 shares of IBM at 60 and the stock eventually goes up to 70 a share, there is a paper profit of $10,000. But if IBM drops to 50, there is a $10,000 loss.

Using options, the institution could buy the stock at 60 and also "write" (or sell) ten call options at, let's say, $5 per share, with a strike price of $65 a share. By writing the calls there would be an immediate income of $5 per share, or $5,000. If IBM jumped to 70, the holder of the option would be likely to exercise the option and the institution would have to sell the 1,000 shares of IBM at the strike price of $65 per share, $5 below the market price. Since it had already received $5,000 from writing the option, it would still realize a profit of $10,000. Of course, if IBM really rockets upward to, say, 90, the institution would lose out on this action. As long as the option did not expire, the most the institution would receive for its IBM stock would be $65 per share.

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Options: positive leverage

In a bull market the leverage inherent in options can provide quite a kicker. From the most recent market low on Mar. 27, 1980 to the latest high on Oct. 16, the 15 options listed below appreciated from 400% to 1,584%—far more than the 99% to 196% shown by the underlying stocks. In March they were the longest-term, closest-to-the-striking-price options available on these stocks. The striking price, of course, is the purchase price of the stock if the option is exercised.

	Stock			Option				
Company	**Price Mar 27**	**Price Oct 16**	**% change**	**Month option expires/ striking price**	**Price Mar 27**	**Price Oct 16**	**% change**	**Oct 16 value of $1 invested in option/stock**
Homestake Mining	27 11/16	82	196%	Oct/$30	3 5/16	56⅛	1,584%	$16.94/$2.96
Tandy Corp	32¾	83⅜	155	Oct/ 35	3¾	49¾	1,227	13.27/ 2.55
Mesa Petroleum	22 11/16	54¼	139	Oct/ 25	3¼	29¾	815	9.15/ 2.39
ASA Ltd	37⅛	86	132	Nov/ 40	5⅝	47¼	740	8.40/ 2.32
Fluor	26 5/16	60	128	Oct/ 30	2⅝	30	1,043	11.43/ 2.28
Engelhard Minerals & Chems	25½	57⅞	127	Oct/ 30	4¾	28½	500	6.00/ 2.27
Coastal Corp	18	39¼	118	Dec/ 20	3⅝	20¾	472	5.72/ 2.18
National Semiconductor	19	41⅜	118	Nov/ 20	4⅛	23	458	5.58/ 2.18
Houston Oil & Minerals	19¾	42⅝	116	Oct/ 20	4¾	23¾	400	5.00/ 2.16
Zenith	8	16⅞	111	Nov/ 10	1 1/16	7	559	6.59/ 2.11
Joy Manufacturing	27¼	57¼	110	Nov/ 30	3¾	28½	660	7.60/ 2.10
Seaboard Coast Line[1]	26⅛	53¼	104	Oct/ 29⅜	4 3/16	24	476	5.73/ 2.04
Union Oil of California	23 9/16	47¼	101	Oct/ 25	2½	22¼	790	8.90/ 2.01
Avnet	22	44	100	Nov/ 25	2⅛	18¾	782	8.82/ 2.00
Amerada Hess	20½	40⅞	99	Nov/ 22½	2¾	18⅜	568	6.68/ 1.99

[1] On 11/1/80 merged with Chessie System into CSX Corp.

Source: Dean Witter Reynolds, Inc.

However, if IBM dropped to 50, half of this $10 drop would be covered by the $5 per share received from writing the option. And if IBM stayed right around the original 60, the option would probably not be exercised. Thus, the institution would still have the $5,000 income from writing the option, dividend income from IBM and possession of 1,000 shares of IBM to boot. Although the option does place a ceiling on the upside potential, in these uncertain times many a portfolio manager is willing to limit potential gains just to cover possible losses.

Many options are finally exercised, so the growth in options volume is feeding growth in stock volume which in turn can trigger other options.

In the recent bull markets, the options buyers have been doing quite well. Some of the gains have been spectacular. Look at Homestake Mining. From the market low on Mar. 27 to the market high on Oct. 16, the option expiring in October with a $30 strike price went from 3 5/16 to 56⅛. That's a 1,584% jump, *vs.* only 196% for Homestake common. That's what the positive leverage in options is all about.

But there is negative leverage as well, which is why most of the real options pros advise against putting too much of your funds in options. The table below shows what can happen when the underlying common stock falls out of favor. A $10,000 investment in the Burroughs October option with a $70 strike price was worth about $100 on Oct. 26.

The record option volume in October indicates that the public is playing the options game with enthusiasm. At least until the next major market decline, options are where the action is.

Options: negative leverage

From the market low on Mar. 27, 1980 to the market high of Oct. 16, most stock options performed extremely well. Mainly because of disappointing operating results and forecasts, the depreciation on the following 14 options, from 53% to 99%, was much greater than that of the underlying common stock. The nine-month Coca-Cola option was an exception.

	Stock			Option				
Company	**Price Mar 27**	**Price Oct 16**	**% change**	**Month option expires/ striking price**	**Price Mar 27**	**Price Oct 16**	**% change**	**Oct 16 value of $1 invested in option/stock**
Burroughs	63¼	57¼	–9%	Oct/$70	5	1/16	–99%	$0.01/$0.91
Squibb	28¼	26¾	–5	Oct/ 30	3½	1/16	–98	0.02/ 0.95
Ford Motor	28⅛	26⅞	–4	Dec/ 30	2½	1	–60	0.40/ 0.96
Blue Bell	30¾	29¾	–3	Oct/ 35	3⅜	1/16	–98	0.02/ 0.97
General Dynamics	67½	66¼	–2	Nov/ 70	10	2⅛	–79	0.21/ 0.93
Greyhound	14⅝	14½	–1	Oct/ 15	2⅜	1/16	–97	0.03/ 0.99
McDonnell Douglas	36¾	36⅝	—	Nov/ 40	6¼	13/16	–87	0.13/ 1.00
UAL	16⅞	17⅜	3	Nov/ 20	2¼	⅜	–83	0.17/ 1.03
Boeing	36 5/16	37½	3	Nov/ 40	5 1/16	1¾	–66	0.35/ 1.03
Black & Decker Mfg	18⅜	19¼	5	Nov/ 20	2⅝	⅝	–76	0.24/ 1.05
American Tel & Tel	48	51	6	Oct/ 50	2	15/16	–53	0.47/ 1.06
Sears, Roebuck	15¼	16¼	7	Dec/ 20	⅝	⅛	–80	0.20/ 1.07
Commonwealth Ed	17⅝	18⅞	7	Nov/ 20	13/16	¼	–69	0.31/ 1.07
JC Penney	20⅞	22⅜	7	Nov/ 25	1¼	⅜	–70	0.30/ 1.07
The Coca-Cola Co	29⅜	31⅝	8	Nov/ 30	3	3⅜	13	1.12/ 1.08

Source: Dean Witter Reynolds, Inc.

With double-digit returns on commercial paper and T-bills, many financial managers have found it more attractive to build up their cash than to invest money in new capital projects.

Swimming in cash

Statistical Spotlight

By Steve Kichen

DONALD DUCK'S rich Uncle Scrooge provided many of today's bright young M.B.A.s with their very first lesson in economics. Scrooge McDuck, you may recall, had so much cash that he used to swim in it. Trouble was, Scrooge didn't have much chance to enjoy his wealth because he had to spend most of his time guarding his fortune. Scrooge discovered that a large cash hoard attracts the attention of outsiders.

Scrooge's money was a drop in the bucket compared with the $17.5 billion in cash and equivalents held by the 85 companies on the list below. Cash as a percentage of current liabilities for each of these companies is greater than 50%. There has been a definite increase in such companies. Economic uncertainty and high interest rates have caused financial managers to have second thoughts about capital spending. While waiting for a recovery, they can earn around 12% on commercial paper and T-bills.

But as they well know, building up a cash hoard can be a risky business. P. Daniel Claude, vice president and treasurer of Servicemaster Industries, explained why he wouldn't give September balance sheet figures to FORBES: "I don't want to be in an article that points out that we have a lot of cash, because that simply makes us a target for takeover."

Subaru of America, the U.S.-based distributor of Japanese-built Subaru automobiles, can breathe a little easier with Fuji Heavy Industries as a 49% stockholder, even though Subaru of America has over $36 million in cash and equivalents. That's 42.8% of current assets and 73% of current liabilities. There is no long-term debt. And in the last FORBES Annual Report on American Industry, Subaru of America ranked as the most profitable major U.S. company over the past five years. At its current price of around 15, Subaru of America has over $6 in cash per share. Yet it sells for a multiple of less than 6. It's enough to make would-be acquirers drool.

By the same token, Schlumberger has more than $1 billion in cash and equivalents. But it is highly unlikely that someone will make a pass at a company whose shares already trade at a P/E of 24.

Some companies seem to be perennial members of our cash-rich lists. Walt Disney's amusement parks throw off wads of cash, for example. The company has insignificant amounts of long-term debt and a modest payout ratio of around 17%. This has meant that Disney can finance almost all its growth internally. As one of the richest companies in the country, whose shares trade at 11 times earnings and are widely held, Disney could be a ripe acquisition target.

Then there are the companies for whom the current cash glut is only a temporary phenomenon. Laclede Gas, for one, has very seasonal operations. As the winter heating season ends, Laclede has a large cash inflow as customers pay up their winter bills. But demand for gas drops off in the summer at the same time that the company must support its fixed costs and pay suppliers for the gas it needs to stockpile for the next winter. Of course, improved operations help build up cash. As recently as 1978 Sherwin-Williams had just $32 million in cash. This year it has $103 million, thanks to a shutdown of inefficient operations, improved management of internal cash flow and the Dutch Boy paint line acquisition.

Cash hoards often aren't around for long. If you want to acquire National Gypsum for its $86 million in cash, you'd better move soon. As Controller Axel Swanson noted, "By the end of the year more than half of our cash will be gone."

Cash-rich companies

The 85 companies listed below—ranked by percentage of cash and equivalents to current liabilities—hold over $17 billion in cash and equivalents.

Company/industry	Recent price	Cash & equivalents[1] (mil)	Cash as % of			Latest 12-month earnings per share	Cash per share	Book value per share	Latest balance sheet
			current assets	current liabilities	long-term debt				
Resorts International/gambling and hotels	27⅜	$196.3	87.4%	459.7%	164.1%	$5.87	$17.78	$18.79	June
Weis Markets/grocery stores	27⅞	82.1	68.8	368.1	NM	3.35	9.01	18.60	Sept
Petrie Stores/retail	33⅝	56.7	42.0	256.6	NM	3.40	4.18	14.66	July
Walt Disney Productions/recreation	42⅞	327.0	67.4	251.5	NM	4.14	10.11	32.13	June

[1] Cash and equivalents = cash + marketable securities and short-term investments. [2] Canadian company; figures are in Canadian dollars. NM: Not meaningful because company has either no debt or insignificant amounts of debt.

Cash-rich companies

Company/industry	Recent price	Cash & equivalents[1] (mil)	Cash as % of current assets	Cash as % of current liabilities	Cash as % of long-term debt	Latest 12-month earnings per share	Cash per share	Book value per share	Latest balance sheet
Maytag/home appliances	26⅝	$ 55.0	41.9%	188.1%	NM	$ 3.02	$ 4.13	$12.80	June
Falconbridge Nickel Mines Ltd[2]/mining	116	278.5	46.8	185.3	97.4%	19.69	55.93	98.61	Sept
Tecumseh Products/climate-control equip	67	88.7	34.5	164.2	NM	7.78	16.22	54.33	June
Hilton Hotels/hotels	40¼	124.0	68.0	157.4	100.4	3.91	4.71	14.79	June
Kaiser Steel/integrated steel	43½	268.0	54.1	138.9	87.6	17.28	38.17	72.48	Sept
Thomson Newspapers Ltd[2]/publishing	22	57.6	54.3	133.6	143.6	1.40	1.17	2.54	June
St Regis Paper/paper and forest prods	34	498.0	45.7	128.7	66.8	5.24	15.45	37.00	Sept
Roadway Express/trucking	37¾	231.0	72.6	126.2	NM	3.37	11.79	15.87	Sept
American Home Products/propr drugs	26⅝	517.5	31.7	117.8	NM	2.75	3.32	7.83	Sept
Northwestern Steel & Wire/spec steel	24⅝	63.4	37.0	117.0	NM	3.03	8.45	33.44	July
Illinois Tool Works/building hardware	27½	68.0	35.1	108.8	NM	3.38	5.56	20.15	Sept
Tyco Laboratories/precision instruments	43¾	59.5	35.9	105.4	84.0	6.90	14.34	22.91	Aug
Masco/home fixtures	30⅜	108.0	24.4	103.9	34.8	2.90	4.39	10.40	June
Syntex/ethical drugs	57¼	179.4	42.4	102.7	166.7	4.28	10.34	19.68	July
General Portland/cement	22⅞	36.7	39.3	102.4	59.5	4.06	5.30	25.06	Sept
Clark Oil & Refining/gasoline marketing	46¼	192.7	58.5	101.1	496.6	12.12	26.75	30.18	Sept
Manitowoc/construction machinery	22½	57.4	42.8	100.9	NM	2.36	5.37	12.45	Sept
North American Coal/coal	38¾	60.4	49.1	100.3	15.3	3.81	18.08	24.20	June
Republic Corp/multicompany	27½	34.2	28.2	100.2	65.4	4.44	12.82	30.90	July
Adolph Coors/brewing	19⅛	120.0	35.4	100.0	NM	2.04	3.43	19.71	June
Communications Satellite/telecomm	40⅞	48.2	44.3	98.8	855.6	4.51	6.02	50.69	Sept
Alexander & Baldwin/sugar	40½	80.2	44.7	96.9	43.8	6.92	8.80	32.79	Sept
Louisiana Land & Explor/oil & gas prod	58½	170.0	55.0	94.4	161.9	4.54	4.48	18.20	Sept
St Joe Minerals/coal & metals	70⅞	219.6	40.3	94.2	43.7	4.23	9.76	26.26	Sept
Consolidated Papers/paper products	30	37.4	27.1	91.4	145.0	4.88	3.49	24.98	Sept
National Gypsum/building materials	23⅛	86.6	22.0	88.1	61.5	3.56	5.23	28.48	Sept
Parsons Corp/construction	50¼	115.3	54.8	87.8	539.2	2.13	9.48	8.63	Sept
NVF/steel	4¾	334.3	47.9	87.2	55.7	0.45	4.38	2.07	June
Ametek/precision instruments	28½	40.7	28.1	82.9	75.7	2.01	3.78	11.27	Sept
American Broadcasting Cos/broadcasting	30¾	210.0	26.5	81.7	107.7	5.41	7.50	24.41	June
Hudson Bay Mng & Smelting Ltd[2]/mining	38¼	121.0	34.8	81.2	96.0	4.49	11.98	32.84	June
Rio Algom Ltd[2]/uranium mining	39⅜	100.7	23.5	80.0	101.4	6.80	7.08	32.07	June
Kelly Services/temp office personnel	32½	16.5	26.1	78.9	NM	3.28	3.52	13.62	June
Servicemaster Inds/health-care services	31¼	8.0	25.0	75.6	NM	1.30	0.86	3.96	June
Bandag/tire & rubber	23½	31.8	20.2	75.4	255.5	2.16	2.67	11.79	Sept
Norfolk & Western Railroad/railroad	44¾	258.9	47.3	74.4	53.0	6.56	8.08	47.75	Sept
Natomas/oil & gas	38¼	258.0	55.2	74.3	64.5	3.90	4.99	12.55	June
Media General/publishing	32½	23.2	30.2	73.9	63.7	3.89	3.24	15.59	Sept
Subaru of America/automotive	15⅛	36.3	42.8	73.0	NM	2.55	6.05	6.29	July
Redman Industries/mobile homes	9⅞	23.1	44.8	72.8	309.0	0.82	2.50	4.64	Sept
DeSoto/specialty chemicals	14¼	23.5	24.2	70.6	80.2	2.36	4.26	17.10	Sept
Missouri Pacific/railraod	86¼	295.0	49.9	70.5	29.0	11.18	19.00	45.02	Sept
Schlumberger, Ltd/oilfield services	110⅝	1,102.0	40.3	70.2	255.1	4.56	5.78	12.78	June
Boeing/aerospace	34½	2,173.0	55.0	69.9	NM	5.94	22.55	21.65	June
Clorox/household products	10⅛	64.5	32.1	69.7	173.4	1.44	2.80	7.84	June
Reeves Brothers/textiles	32¾	25.6	18.7	69.6	100.6	6.74	11.11	51.63	Sept
Bliss & Laughlin Industries/tools	15	17.7	18.0	69.4	57.1	2.40	2.46	14.65	June
Laclede Gas/natural gas	19⅞	36.8	37.8	67.4	32.0	3.62	8.43	26.86	June
Placer Development/mining	24⅛	58.6	38.8	67.0	46.1	2.45	1.61	10.15	June
Chemed/chemical	39½	37.7	22.6	66.6	NM	2.90	3.79	15.84	Sept
Nalco Chemical/chemical	44½	49.2	24.0	66.0	427.8	3.32	2.47	14.09	June
Standard Oil of Ohio/oil & gas retailing	66¾	1,880.7	53.5	65.8	60.0	7.30	7.66	12.58	Sept
Schering-Plough/drugs	39⅜	345.0	30.1	65.0	NM	4.58	6.50	20.63	June
Church's Fried Chicken/fast foods	25⅞	21.6	57.0	64.9	156.5	2.93	1.72	11.12	Sept
Federal Paper Board/packaging	28	33.4	21.2	63.9	20.1	3.88	4.61	24.15	Sept
Westvaco/packaging	34¼	89.7	25.4	63.6	34.1	5.31	5.31	35.96	July

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[1] Cash and equivalents = cash + marketable securities and short-term investments. [2] Canadian company; figures are in Canadian dollars. NM: Not meaningful because company has either no debt or insignificant amounts of debt.

Cash-rich companies

Company/industry	Recent price	Cash & equivalents[1] (mil)	Cash as % of current assets	Cash as % of current liabilities	Cash as % of long-term debt	Latest 12-month earnings per share	Cash per share	Book value per share	Latest balance sheet
Premier Industrial/ind maint prods	36¼	$ 19.4	17.0%	63.4%	NM	$3.07	$1.87	$10.20	Aug
NCH/specialty chemicals	24⅜	42.5	25.3	63.2	988.4%	2.68	3.95	12.82	July
Electronic Data Systems/computer svs	31⅝	26.4	29.6	62.5	181.4	2.11	1.88	10.33	June
Jack Eckerd/drugstores	36¼	75.7	19.9	62.0	757.0	2.92	3.20	16.22	Aug
Eastman Kodak/photography	68½	1,256.5	24.4	61.8	NM	7.07	7.79	35.19	Sept
Intl Flavors & Fragrances/cosmetics	20⅝	53.2	18.3	61.5	NM	1.79	1.45	8.38	June
General Host/food processing	17⅞	29.1	24.8	60.9	33.9	7.83	10.35	28.44	June
Butler Manufacturing/building	27¼	28.9	18.3	60.8	90.9	3.37	5.21	27.68	Sept
Gulf Resources & Chemicals/metals	22⅛	69.1	24.1	60.4	28.9	1.91	8.99	15.91	June
Medtronic/health-care products	43¼	38.8	20.2	59.8	373.1	2.63	2.52	11.19	July
Kerr Glass Mfg/glass containers	11½	25.3	20.6	58.3	34.9	1.67	6.36	21.06	June
Intl Paper/paper & paper prods	42	400.0	26.6	57.9	42.6	5.24	8.13	52.96	June
Playboy Enterprises/publishing	15	71.4	42.9	57.5	363.5	1.31	7.59	9.83	June
Cross & Trecker/machinery	34¼	52.2	23.7	56.9	339.0	2.81	4.21	12.02	June
Canadian Pacific Ltd[2]/railroad	51¾	1,392.0	36.0	55.7	49.3	7.66	19.42	41.17	June
Sherwin-Williams/paints	38¾	103.0	20.0	55.4	45.6	5.25	21.13	54.08	June
Moore McCormack Res/transportation	48¼	46.6	28.4	55.1	16.9	8.20	8.17	48.98	June
Ampco-Pittsburgh/metal products	28½	30.5	20.6	54.2	32.9	4.95	10.58	27.45	June
Richardson-Merrell/propr & ethical drugs	29⅛	152.0	26.5	54.2	186.0	3.56	6.56	18.47	June
GD Searle/ethical drugs	20⅜	267.0	39.1	54.2	291.2	1.76	5.06	9.17	June
Teledyne/multicompany	187¾	200.4	27.3	53.6	31.6	20.95	14.55	72.38	Sept
Bristol-Myers/toiletries & drugs	46	325.0	21.9	53.5	275.4	3.94	4.95	15.72	June
Norton Simon/food processing	16⅝	447.0	23.6	53.4	68.3	2.57	9.31	20.38	June
Newmont Mining/metals	54¾	108.0	23.8	53.2	71.5	8.83	4.22	29.19	June
Iowa Beef/beef packing	44¼	54.7	20.3	53.1	66.6	4.87	5.58	27.53	July

[1] Cash and equivalents = cash + marketable securities and short-term investments. [2] Canadian company; figures are in Canadian dollars. NM: Not meaningful because company has either no debt or insignificant amounts of debt.

Pension funds are buying bricks and mortar. Is it the can't-lose investment of the Eighties—or just the greater fool theory?

One-decision real estate?

By Howard Rudnitsky

PENSION FUND MANAGERS—like most investors—follow the herd. In the Sixties, these professional money men thundered into one-decision growth stocks such as Avon and Xerox. Then came the Seventies, and index funds were all the rage. Now, the peer pressure involves yet another can't-miss opportunity: real estate.

Over the past two years, pension funds have anted up more than $4 billion in cash to buy office buildings, shopping centers and industrial parks from California to Massachusetts. Operating largely through a handful of pooled investment funds, they now own more than $6 billion worth of real estate. That, of course, is a mere 2½% of the $230 billion held in bulging private pension portfolios, but property investments are by far the fastest-growing segment. "They're where the action is," says James Trucksess, a Citibank senior vice president. "When fund managers come to talk to our investment people today, the first thing they ask about is real estate—not stocks or bonds."

Not surprisingly, scores of real estate professionals are scrambling to help cash-rich pension investors get a piece of the action. Prudential Insurance Co. got the ball rolling ten years ago when it launched its pioneering Property Investment Separate Account (PRISA), which operates much like an open-end mutual fund for institutional property investments. This gives fund managers, who may ante up as little as $100,000 to buy in, the diversification and liquidity—at least in theory—that are lacking in individual real estate investments. Also, it gives Prudential a burgeoning source of fee revenues: PRISA will take in over $25 million this year for managing its $2 billion portfolio.

Such success has attracted scores of competitors, and now hardly a month goes by without yet another insurance company expanding its pension fund real estate operations. Phoenix Mutual Life, for example, just jumped on the bandwagon and set up a pooled real estate fund of up to $50 million, and there are rumors that Connecticut General may soon launch a similar venture. Meanwhile, late-starting Metropolitan Life, which recently paid a record $400 million for New York's Pan Am Building, is

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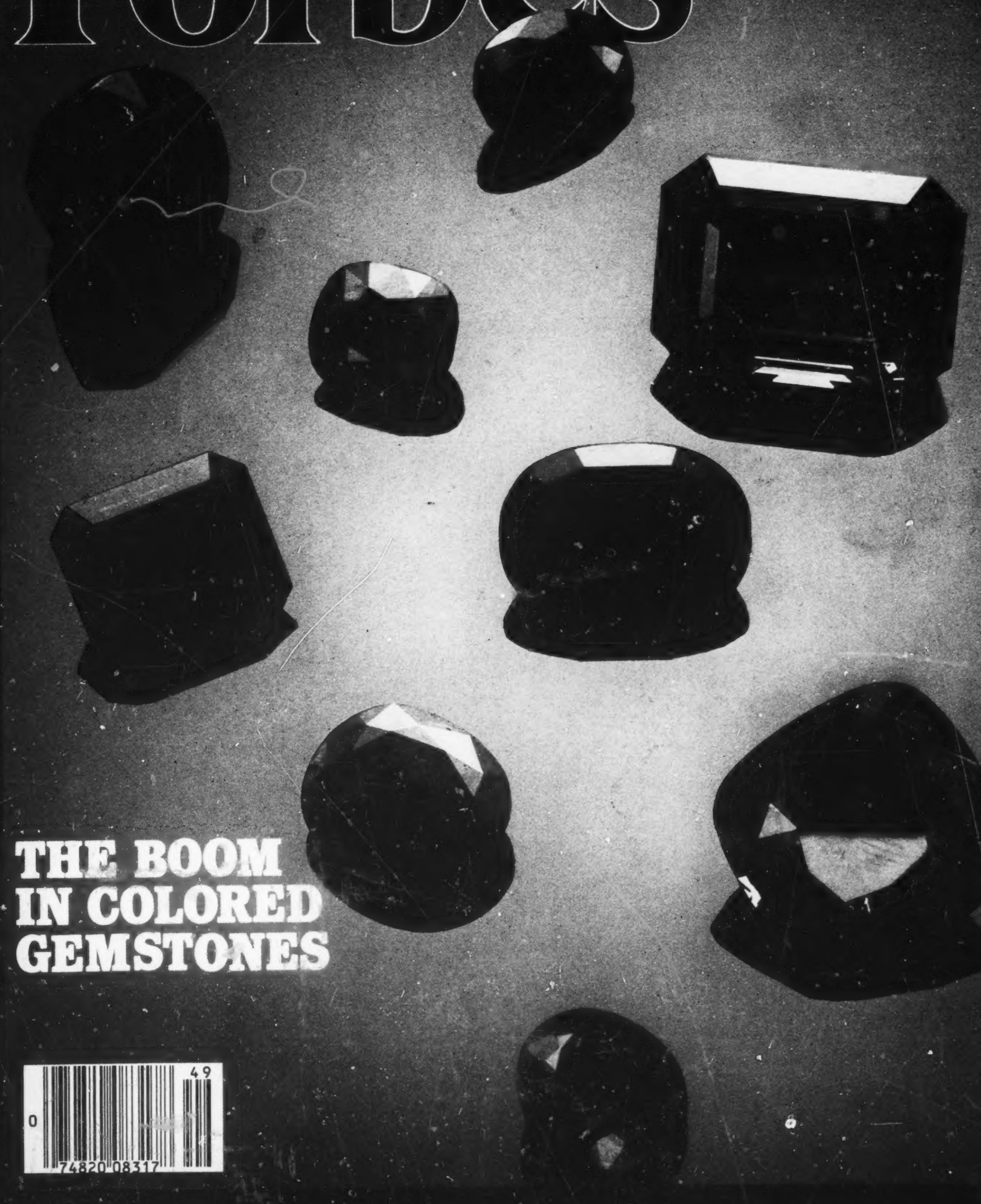

THE BOOM IN COLORED GEMSTONES

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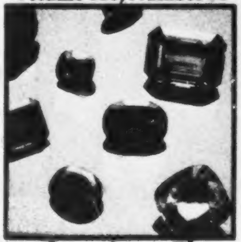
Forbes

December 8, 1980
Volume 126, Number 12



121 Cover Story: The pitfalls of "investing" in gemstones.

33 Pacific Southwest Airlines: Sometimes it pays to get tough.

57 The Numbers Game: Fraud in new issues; pension liabilities; buried treasure in RRAs.

77 Chicago's Henry Crown: Don't be surprised if he caps his career with a spectacular merger.

Features

Airlines: Playing Hardball
With pilot labor negotiations coming up next year, the nation's struggling major airlines ought to note how Pacific Southwest Airlines settled its pilot strike. 33

Companies: Schlitz Brewing
You've probably seen the commercials: "I'm Frank Sellinger . . . master brewer." Unfortunately, more than the brewmaster's art is required this time. 34

Companies: Allegheny Ludlum
Did Clint Murchison get the gold mine or the shaft? 36

Government: Welcome To Reincentivation
Don't look for the word in Webster's. Reagan's transition chief made it up. 37

Companies: AM International
The unflappable Roy Ash has survived a Watergate-era term as Richard Nixon's budget director and the dark days when Litton Industries was sinking into decline. They didn't throw him, and neither does the travail of the big, bleeding company he is trying to save. But somehow it seems that everything he says he has said before—and better. 38

Companies: Amdahl Corp.
To hear Chairman Gene White tell it, relations with the $2 billion Japanese giant that owns over 25% of his company could not be better. So why is he so touchy? 39

The Funds: Eberstadt Asset Management, Inc.
A trend? Or a top? 45

Banking: The Washington Connection
Another brouhaha is brewing in the nation's capital—this one involving bankers, not politicians. 48

The Numbers Game: Never A Cop When You Need One
Every year thousands of investors are cheated in fraudulent private placements. But the SEC is doing virtually nothing about it. 57

Regulation: Making Pure Water Purer
Could the EPA hard-liners at last be right? 63

The Up-And-Comers: Hi-Shear Industries
Dave Wingate's little company makes the nuts and bolts that hold airplanes together—virtually all of them in the Western World. 69

Profile: Financier Henry Crown
Still wheeling and dealing at 84. 77

Companies: Sherwin-Williams Co.
John Breen can hardly boast that his 114-year-old paint company has a dazzling glow. But he's laying down a solid coat of primer. 89

Companies: Houston Oil & Minerals
You *can* go home again, it turns out. 90

Companies: Heinz
Tony O'Reilly is the kind of fellow who would push his big food conglomerate into high-fructose corn sweeteners and then hedge his bets by acquiring Weight Watchers International. He might even find a bit of Irish humor in it. It's not all Irish humor around Heinz these days, but O'Reilly is making progress. 95

Companies: Heublein
Sadder, and much wiser. 98

Companies: Advanced Micro Devices
What is Jerry Sanders doing running bunches of asparagus up the company flagpole? It *does* have something to do with integrated circuits, he says. It also has something to do with salesmanship, Jerry Sanders' forte. 107

Companies: ConAgra
Mike Harper is trying to build Omaha's old Nebraska Consolidated Mills into one of the country's premier food companies on a simple premise. 112

Cover Story: Colored Stones—The New Hot Game
If you missed silver at $4 an ounce, gold at $350 and D-flawless diamonds at $7,500 a carat, how about emeralds, rubies or sapphires? It's a new game for most Americans, and one where you should be very, very careful. 121

95 Heinz: "Now I think we have stability, image and reach," says Tony O'Reilly. Might that reach include another bout with Campbell?

107 Advanced Micro Devices: Jerry Sanders, the semiconductor industry's supersalesman.

112 ConAgra: How do you buffer a cyclical business against downswings? Just keep working on that return on equity, says Mike Harper.

143 The Money Men: Charles Allmon. What's his secret? "Growth companies have *not* been high-technology companies.

Money And Investments

Collectibles: The Genteel World Of Art Auctions
The mania for collectibles is pouring big money into the art world, and the top auctioneers are going after it hammer and tongs. 126

The Money Men: Charles Allmon
He's not well known on Wall Street and he may never be. He works out of an unprepossessing converted apartment building in Bethesda, Md. He has been a full-time investment adviser for only a dozen years. But he's a hero to the thousands of subscribers to his $64-a-year newsletter, *Growth Stock Outlook*. Here's why. 143

Statistical Spotlight:
Why take big risks with new issues in exotic fields when history suggests you can beat the averages by simply buying low-multiple stocks? 146

Personal Affairs

Back in 1937 Social Security cost you $30 a year. Next year the tab will be close to $2,000 if you earn around $30,000. Still, the system's going broke. Upset? The worst is yet to come. Better news on hotels: Even the most luxurious offer enough sweeteners on weekends to make prices almost reasonable. Plus: Where to stash Keogh and IRA contributions this year. 161

Faces Behind The Figures

David C. Garfield and
Thomas A. Holmes, *Ingersoll-Rand* 174
Robert P. Straetz, *Textron* 174
Moshe Dayan, *Ex-Israeli Foreign Minister* 174
Lawrence Levy, *Northeast Solar Energy Center* 176
Milan Nastich, *Ontario Hydro* 176
Jack Armstrong, *Imperial Oil Ltd.* 177
Thornton F. Bradshaw, *Atlantic Richfield* 178
Harold Thorkilsen, *Ocean Spray Cranberries* 178
Roger B. Smith, *General Motors Corp.* 180
David C. Garrett Jr., *Delta Air Lines* 180
Isaac Asimov, *Writer* 180

The Economy: The Sooner, The Better
President-elect Reagan is talking about a tax cut as the first order of domestic business. With good reason. 183

The Streetwalker: Couples
Rumsfeld and Searle; Trudeau and Dome; Saul Steinberg and the New York Times Co. 188

Columnists

Srully Blotnick 132
Martin T. Sosnoff 138
John Train 154
Ashby Bladen 170
Ben Weberman 184
Heinz H. Biel 186
Stanley W. Angrist 192
Richard B. Hoey 194

Departments

Side Lines 6
Trends 10
Follow-Through 14
Readers Say 18
Fact and Comment.......25
Other Comments 28
Editorial Index 196
Flashbacks 197
Thoughts..........................200

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Illustrations: p. 57, Chas. B. Slackman; pp. 161, 165, 167, Doris Ettlinger

Maps and Charts: pp. 35, 53, 121, 122, 123, 124, 125, Andrew Christie

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Why take big risks with new stock issues in high-technology or bioengineering when history suggests that you can beat the averages by buying low-multiple stocks?

Winning with the losers

By Steve Kichen

In his amusingly irreverent book *Contrarian Investment Strategy: The Psychology of Stock Market Success* (Random House, 1979), David Dreman takes great pleasure in citing case after case in which the experts have been wrong: In 1524 the most renowned seers of the time were convinced that the Thames would engulf all London in a disastrous flood. It has yet to occur. On the eve of WWII Neville Chamberlain said at Croydon Airport, "I bring you peace in our time." And then, of course, there was the famous remark of Yale economist Irving Fisher that "stocks are now at what looks like a permanently high plateau"—which, to his everlasting regret, he made just a few days before Black Tuesday, 1929.

Dreman's point, which of course traces right back to Benjamin Graham, is that betting against the experts isn't just fun—it can be quite profitable as well. In the stock market, betting against the experts means betting against a company's price/earnings multiple since that multiple represents the consensus of expert opinion as to what the company's future earnings will be. Because experts are often wrong, the multiple is often too high or too low. Therefore the chances are far better than even that any stock whose multiple is above or below the market average will tend eventually to move back to the market average. Getting a bit fancy, Dreman calls this "The Principle of Regression to the Mean."

If you buy that theory, then it follows that one should buy the low-multiple stocks and short the high-multiples. But shorting high-multiple stocks is a far riskier business. For one thing, selling short involves borrowed money. Also, the upside risk in short-selling is potentially infinite, whereas the downside risk in buying long is only 100%. So Dreman's advice focuses on the safer side of the argument: Buy low P/E stocks.

Recently, several major studies have confirmed that investing in low-multiple stocks is an approach that does, in fact, tend to outperform the market averages over time. Last year Forbes even ran a list of 123 stocks with sales of $500 million or more and multiples in the lowest 20% of the market (based on the latest 12-month earnings). Every P/E in this group was under 5.0. Looking at that same list this year we found the portfolio was up 23%, as against a 14% gain for the Dow industrials. Moreover, the low-multiple portfolio yielded almost 7% *vs.* just 6% for the Dow. So the total return for low-P/E stocks was 50% better than the total return for the Dow.

Our low-P/E portfolio didn't do as well as the S&P's 500, which was up 25% for the year, or the broader-based Wilshire index, up 30%. In part that's because of the relative cheapness of equities in general. With the public rushing back into stocks across a broad front, gains of low-multiple stocks tended to get lost in the shuffle. Also, one year simply isn't enough to test the theory.

In compiling a similar list this year, we found we had to lower our minimum sales volume criterion from $500 million to $200 million to put together a portfolio of equal variety. With low-multiple stocks becoming a scarcer commodity, perhaps we'll see more of some of the fabulous gains in last year's low P/E portfolio: E.F. Hutton, up 278%; USAir, 160%, and Amerada Hess, up 104%. Another thing an investor might do that we have not done in our new list is raise the criteria to screen out potential dogs: a current ratio greater than 2, for example, or long-term debt no more than 40% of total capital.

Will "the losers" outpace the winners? It's still a bit too soon to tell, but it is clearly a horserace.

Testing low P/E stocks

In November 1979 Forbes ran a list of 123 stocks with low price/earnings ratios. On average, these stocks appreciated 23% in price. Ninety-three stocks are up in price and 30 stocks are down (from 1% to 56%). The list below contains the 25 stocks from the Forbes November 1979 list that had the greatest price appreciation.

		Price		Price/earnings ratio		Latest 12-month EPS	Book value per share
Company	Appreciation	recent	Nov 1979	recent[1]	Nov 1979		
EF Hutton Group	277.8%	34	9	6.3	3.8	$5.36	$13.82
USAir	160.0	17⅞	6⅞	4.4	3.3	3.98	13.76
US Home	155.4	26½	10⅜	7.7	3.4	3.41	12.43
Seaboard Coast Lines (CSX)[2]	117.8	55	25¾	NM	3.1	NM	NM
Raymond International	115.0	28¾	13⅜	31.3	3.9	0.92	16.92
LTV	104.8	15⅞	7¾	4.3	2.0	3.65	8.95
Amerada Hess	103.7	41¼	20¼	6.3	4.2	6.59	22.62
Paine Webber	95.8	17⅝	9	20.3	4.0	0.87	13.81
Alcan Aluminium Ltd	94.0	36⅛	18⅝	5.5	4.0	6.62	25.10
Teledyne	91.4	189	98¾	8.4	4.5	22.46	72.38

[1] Latest 12-month earnings. [2] Seaboard Coast Lines and Chessie System merged into a new holding company, CSX. Terms of exchange: 1.324 shares of CSX for each Seaboard share, and 1.00 share of CSX for each Chessie share. Recent price shows what a single share of Seaboard or Chessie is worth at the present time. Pro forma figures for CSX: Recent price/earnings ratio is 5.9; latest 12-month earnings per share, $[illegible].06; book value per share, $69.20. NM: Not meaningful.

Testing low P/E stocks

Company	Appreciation	Price recent	Price Nov 1979	Price/earnings ratio recent[1]	Price/earnings ratio Nov 1979	Latest 12-month EPS	Book value per share
ASARCO	83.1%	46	25⅛	5.0	3.3	$ 9.12	$38.26
Lear Siegler	80.7	33⅞	18¾	8.0	4.0	4.23	18.00
A-T-O	80.6	16¼	9	5.2	3.5	3.12	14.65
Norfolk & Western Railroad	75.6	39½	22½	5.9	3.8	6.64	44.13
Zayre	65.9	18¼	11	6.4	3.9	2.85	29.50
Allegheny Ludlum Industries	63.9	37½	22⅞	5.0	3.2	7.44	28.75
Chessie System (CSX)[2]	63.5	41½	25⅜	NM	4.0	NM	NM
Dillingham	57.1	17⅞	11⅜	6.8	4.1	2.63	17.22
GDV	53.4	14	9⅛	6.4	3.5	2.18	13.47
Hammermill Paper	52.4	28	18⅜	5.2	4.5	5.38	36.84
Lone Star Industries	51.6	35¼	23¼	6.5	4.5	5.44	31.82
Amfac	50.9	32¼	21⅜	7.8	4.7	4.11	29.43
Reliance Group	46.5	67¾	46¼	6.0	4.7	11.23	49.23
Gulf & Western Industries	45.3	17¼	11⅞	3.9	3.2	4.38	21.03
Armco	43.8	34⅞	24¼	8.5	4.7	4.09	36.04

[1] Latest 12-month earnings. [2] Seaboard Coast Lines and Chessie System merged into a new holding company, CSX. Terms of exchange: 1.324 shares of CSX for each Seaboard share, and 1.00 share of CSX for each Chessie share. Recent price shows what a single share of Seaboard or Chessie is worth at the present time. Pro forma figures for CSX: Recent price/earnings ratio is 5.9; latest 12-month earnings per share, $7.06; book value per share, $69.20. NM: Not meaningful.

The bargain basement revisited

Here is a new FORBES computer screen on low-multiple bargain stocks. The list below contains 151 stocks with P/E ratios less than 5.0. Because the ranks have thinned in the recent market runup, we lowered our minimum sales volume requirement from $500 million to $200 million this year.

Company/industry	Price/ earnings ratio	Recent price	Earnings per share latest fiscal year	Earnings per share most recent 12 months	Indicated dividend	Indicated yield	Book value per share	Return on book value	Long-term debt as % of capital	Current ratio
Tesoro Petroleum/oil & gas	2.4	22⅛	$4.03	$8.87	$0.30	1.4%	$20.04	66.4%	24%	1.2
Grolier/publishing	2.5	1¾	0.24	0.70	—	—	neg	NM	100	2.6
Corp Falconbridge Copper/mining	2.7	10¼	3.59	3.69	1.00	9.8	8.44	43.7	0	2.9
Charter Co/oil & gas retailing	2.7	18	14.93	6.47	1.00	5.6	22.14	29.2	48	1.4
Allied Van Lines/trucking	2.9	4⅛	0.60	1.39	—	—	12.25	11.6	30	1.2
Banco Popular de Puerto Rico/banking	2.9	23½	6.01	7.87	1.45	6.2	39.32	21.0	21	NA
Fuqua Industries/multicompany	3.1	15	5.11	4.79	0.50	3.3	15.77	30.4	63	2.0
Gr Lakes Forest Prods/paper, forest prods	3.1	57⅜	13.32	18.21	2.00	3.5	37.90	48.0	32	2.7
Midlantic Banks/banking	3.2	28	7.91	8.58	2.36	8.4	43.81	22.5	25	NA
Occidental Petroleum/oil & gas	3.2	31½	7.30	9.64	2.00	6.3	22.14	56.7	37	1.0
Consolidated-Bathurst/paper, paper prods	3.3	17⅞	4.27	5.31	1.30	7.3	16.19	32.8	41	2.5
Rath Packing/meat packing	3.3	5⅛	d1.25	1.52	—	—	neg	NM	100	1.3
Dominion Textile/textiles	3.4	12⅞	3.66	3.72	1.00	7.8	21.50	19.4	34	2.1
DuPont of Canada/chemicals	3.5	23¼	7.46	6.62	1.05	4.5	29.05	22.8	34	1.8
Girard/banking	3.5	23	6.23	6.44	2.00	8.7	43.53	15.4	32	NA
Lincoln First Banks/banking	3.6	20	5.96	5.54	2.00	10.0	52.57	10.9	35	NA
Bankers Trust NY/banking	3.6	50¾	9.37	13.92	3.30	6.5	78.59	19.4	25	NA
Manufacturers National/banking	3.6	21	6.68	5.75	2.20	10.5	48.92	12.0	17	NA
First Farwest/life insurance	3.6	9⅞	3.45	2.68	0.25	2.5	20.24	13.3	25	NA
Chase Manhattan/banking	3.7	39⅝	9.07	10.60	2.80	7.1	69.06	16.8	31	NA
Reynolds Metals/aluminum	3.7	37¼	9.25	9.91	2.20	5.9	61.19	16.2	42	1.9
Idle Wild Foods/food processing	3.7	13½	3.58	3.58	0.80	5.9	23.55	16.3	17	1.6
Savin/office equipment	3.7	12¼	3.44	3.24	0.70	5.7	15.21	27.1	55	1.8
Colonial Penn Group/life insurance	3.7	16⅞	4.45	4.45	1.40	8.3	22.57	21.3	—	NA
New England Merchants/banking	3.7	27⅛	5.81	7.14	1.80	6.6	40.38	19.1	29	NA
Kaiser Aluminum & Chems/aluminum	3.8	24⅝	5.66	6.45	1.40	5.7	28.48	22.6	37	1.5
Arden Group/grocery stores	3.8	3⅞	0.45	1.01	—	—	7.50	15.9	58	1.2
Society Corp/banking	3.8	16¼	4.36	4.24	1.32	8.1	31.65	13.9	14	NA
Amer Fletcher/banking	3.8	16½	4.15	4.24	1.24	7.5	33.44	13.3	9	NA
Chemical New York/banking	3.8	40½	9.04	10.41	3.48	8.6	76.29	14.2	34	NA
State Street Boston/banking	3.9	39¾	7.07	10.19	2.20	5.5	56.15	18.1	39	NA
SE Nichols/retail	3.9	3⅜	1.02	0.86	0.03	0.9	6.54	12.9	54	2.1
Avco/multicompany	3.9	27	8.25	6.86	1.20	4.4	41.33	17.7	83	NA

NA: Not applicable. NM: Not meaningful. neg: negative. d: deficit.

Source: Standard & Poor's

The bargain basement revisited

Company/industry	Price/ earnings ratio	Recent price	Earnings per share latest fiscal year	Earnings per share most recent 12 months	Indicated dividend	Indicated yield	Book value per share	Return on book value	Long-term debt as % of capital	Current ratio
CBT/banking	3.9	23¾	$5.25	$6.04	$2.00	8.4%	$40.61	15.6%	17%	NA
Gulf & Western Inds/multicompany	3.9	17¼	4.38	4.38	0.75	4.3	21.03	20.8	56	1.8
Old Republic International/insurance	3.9	15¾	4.31	4.00	0.92	5.8	16.35	25.0	23	NA
First & Merchants/banking	3.9	19¼	4.58	4.88	1.76	9.1	38.99	13.2	24	NA
BayBanks/banking	3.9	33	7.50	8.35	2.80	8.5	60.57	14.9	9	NA
Revere Copper & Brass/metal fabricating	3.9	16	4.50	4.01	—	—	30.13	14.3	50	2.5
Savannah Foods & Inds/food processing	4.0	24½	2.26	6.10	1.56	6.4	21.44	30.0	36	1.2
Indiana National/banking	4.0	14	2.45	3.44	0.80	5.7	25.69	14.6	20	NA
Pueblo Intl/grocery stores	4.0	3⅝	0.89	0.89	—	—	7.23	13.0	50	1.2
United Jersey Banks/banking	4.0	10⅛	2.40	2.48	1.08	10.7	21.22	12.5	29	NA
Rose's Stores/retail	4.0	16¾	4.[illegible]0	4.09	0.80	4.8	33.07	12.5	15	2.9
Star Supermarkets/grocery stores	4.0	11¼	3.64	2.75	0.80	7.1	21.07	13.7	50	1.2
Domtar/paper & paper products	4.1	26⅛	6.57	6.41	2.00	9.1	30.11	21.3	24	2.0
Provident National/banking	4.1	28¼	5.64	6.88	2.40	8.5	46.49	15.9	16	NA
Maryland National/banking	4.1	17½	3.63	4.25	1.00	5.7	31.71	14.6	23	NA
PSA/airline	4.1	28	5.06	6.77	0.60	2.1	22.90	29.6	62	1.0
Seaway Food Town/grocery stores	4.1	11½	2.78	2.78	0.72	6.3	17.20	17.7	50	1.5
Centran/banking	4.1	27¾	6.31	6.68	2.40	8.6	46.75	14.8	27	NA
Mercantile Bancorp/banking	4.1	26	5.56	6.26	2.48	9.5	40.26	16.4	28	NA
Huntington Bancshares/banking	4.1	27¾	6.66	6.67	2.00	7.2	48.88	14.7	13	NA
First National Boston/banking	4.1	34½	6.90	8.27	2.20	6.4	57.26	15.9	41	NA
Philadelphia Natl/banking	4.1	30	6.77	7.19	2.64	8.8	55.29	13.6	26	NA
United Virginia Bankshares/banking	4.1	25⅜	5.50	6.07	1.60	6.3	37.67	17.5	33	NA
British Petroleum/oil & gas	4.1	45⅝	9.32	10.87	1.71	3.8	—	—	100	1.7
Ceco/building materials	4.1	19⅜	3.42	4.62	0.90	4.6	31.20	15.8	21	2.3
First Union Corp/banking	4.1	17	3.50	4.05	1.04	6.1	21.28	19.0	40	NA
National Detroit/banking	4.1	27⅛	6.77	6.46	2.00	7.4	51.98	13.0	14	NA
Irving Bank/banking	4.2	40¼	7.84	9.56	2.72	6.8	64.02	16.5	31	NA
Citicorp/banking	4.2	19¼	4.36	4.54	1.42	7.4	28.81	15.8	63	NA
Crown Central Pete/oil & gas retailing	4.2	25½	13.37	6.00	1.60	6.3	34.80	18.3	33	1.3
Hanover Insurance/insurance	4.2	46½	9.09	10.87	0.72	1.5	56.26	21.6	—	NA
Marine Midland Banks/banking	4.2	16⅜	3.41	3.83	0.90	5.5	39.46	10.3	35	NA
Standard Commercial Tobacco/tobacco	4.2	14¼	3.34	3.33	0.38	2.6	22.46	15.3	33	1.3
Manufacturers Hanover/banking	4.2	28⅝	6.41	6.68	2.52	8.8	50.01	14.3	36	NA
Virginia National Bankshares/banking	4.2	13⅞	3.13	3.23	1.20	8.6	21.96	15.6	35	NA
First Natl State Bancorp/banking	4.3	21	4.47	4.88	2.20	10.5	34.48	14.2	22	NA
Dan River/textiles	4.3	15¾	3.90	3.64	1.12	7.1	33.12	11.5	29	3.2
Cyclops/steel	4.3	23½	6.81	5.42	1.23	5.2	46.60	11.6	38	2.1
Algoma Steel/steel	4.3	33½	8.65	7.72	1.00	3.0	49.32	15.7	34	2.8
Bank of New York/banking	4.3	33¼	7.11	7.66	3.00	9.0	59.26	13.6	9	NA
LTV/multicompany	4.3	15⅞	5.23	3.65	—	—	8.95	40.8	88	1.8
California 1st Bank/banking	4.3	13¾	3.56	3.16	1.08	7.9	24.53	13.7	30	NA
SCM/multicompany	4.3	25½	5.55	5.86	1.80	7.1	46.14	14.0	34	2.4
Chubb/insurance	4.4	38	7.87	8.60	2.40	6.3	50.07	19.1	7	NA
Cone Mills/textiles	4.4	40	7.54	9.06	2.00	5.0	53.21	18.3	7	3.5
Strawbridge & Clothier/retail	4.4	23½	5.37	5.32	1.40	6.0	57.85	9.2	40	2.7
National Can/packaging	4.4	23¾	4.81	5.37	0.88	3.7	30.61	19.2	32	1.7
CDI/engineering services	4.4	10¾	2.40	2.42	—	—	7.62	52.8	41	2.0
Hartford National/banking	4.4	19⅛	3.51	4.30	1.60	8.4	33.31	13.8	27	NA
Loews/multicompany	4.4	78¾	17.64	17.70	1.20	1.5	71.01	24.9	51	NA
Consolidated Edison/utility	4.4	21⅜	4.51	4.80	2.68	12.5	43.32	11.1	49	1.7
First Union Bancorp/banking	4.4	19½	4.06	4.38	1.60	8.2	32.67	13.8	16	NA
American Security/banking	4.4	30¼	5.97	6.77	2.20	7.3	44.45	15.5	5	NA
Noranda Mines/copper mining	4.4	24⅝	4.89	5.51	1.20	4.9	16.15	34.1	27	1.8
Shaw Industries/home furnishings	4.4	5	1.10	1.12	0.30	6.0	7.77	15.9	56	3.8
First Natl Supermarkets/grocery stores	4.4	6½	1.24	1.45	0.02	0.3	10.28	14.7	68	1.4
USAir/airline	4.4	17⅞	2.64	3.98	0.12	0.7	13.76	28.9	55	1.0
Industrial National/banking	4.4	19¾	4.02	4.39	1.60	8.1	23.99	18.6	50	NA
Travelers/insurance	4.4	39¾	9.03	8.85	2.48	6.2	58.27	16.1	2	NA

NA: Not applicable. NM: Not meaningful. neg: negative. d: deficit.

Source: Standard & Poor's.

The bargain basement revisited

Company/industry	Price/earnings ratio	Recent price	Earnings per share		Indicated		Book value per share	Return on book value	Long-term debt as % of capital	Current ratio
			latest fiscal year	most recent 12 months	dividend	yield				
Big V Supermarkets/grocery stores	4.5	8¼	$1.86	$1.83	$0.30	3.7%	$9.05	21.5%	38%	1.5
Commerce Bancshares/banking	4.5	21½	4.70	4.77	1.60	7.4	39.75	12.0	6	NA
Bank of Virginia/banking	4.5	12	3.15	2.65	1.16	9.7	25.84	10.5	36	NA
Sherritt Gordon/copper mining	4.5	12¾	3.20	2.82	1.20	9.4	11.07	25.5	29	2.2
First Wisconsin/banking	4.5	27½	5.53	6.07	1.88	6.8	48.64	12.9	25	NA
Pittsburgh National/banking	4.5	40¼	7.97	8.87	2.80	7.0	55.93	17.1	—	NA
Kemper/insurance	4.5	31⅛	6.82	6.85	1.40	4.5	37.18	20.2	8	NA
Detroitbank/banking	4.5	22¼	5.52	4.89	2.00	9.0	38.99	13.4	5	NA
A Schulman/plastics	4.5	16¼	3.57	3.57	0.62	3.8	22.51	17.1	15	1.7
Security Pacific/banking	4.5	28¾	5.97	6.30	2.00	7.0	40.96	16.7	22	NA
Wells Fargo/banking	4.5	24¼	5.75	5.29	1.92	7.9	38.91	14.5	47	NA
West Point-Pepperell/textiles	4.5	42¾	9.32	9.32	3.20	7.5	68.70	14.6	27	3.1
George A Hormel/meat packing	4.6	17⅞	3.18	3.88	0.84	4.7	21.24	19.6	12	1.8
Warnaco/apparel	4.6	16½	3.28	3.58	0.80	4.8	19.18	18.7	37	2.0
Niagara Frontier Services/grocery store	4.6	18⅞	4.24	4.09	1.00	5.3	23.68	20.0	46	1.7
Graniteville/textiles	4.6	12¼	1.31	2.65	1.00	8.2	23.62	11.7	22	3.3
Kansas Gas & Electric/electric utility	4.6	14	1.84	3.02	1.94	13.9	20.41	14.8	59	1.1
Can Imperial Bk of Commerce/banking	4.6	22	4.75	4.71	1.80	8.2	26.53	17.8	30	NA
Aluminum Co of America/aluminum	4.6	65⅞	14.29	14.11	3.20	4.9	73.18	20.0	27	2.1
Harris Bankcorp/banking	4.6	24	5.22	5.15	2.00	8.3	51.16	10.5	—	3.2
Unilever NV/multicompany	4.6	60½	12.54	12.97	4.25	7.0	68.47	18.3	100	0.6
US Fidelity & Guaranty/insurance	4.6	41½	8.27	8.90	2.80	6.7	44.34	23.7	—	NA
Guilford Mills/textiles	4.6	26⅝	5.67	5.69	0.60	2.3	17.67	45.6	21	3.6
George Weston Ltd/food processing	4.6	22¾	5.06	4.87	1.40	6.1	26.52	18.4	45	1.3
Jamesway/retail	4.6	8⅝	2.29	1.84	0.12	1.4	13.64	13.5	47	2.4
Michigan National/banking	4.6	18½	4.39	3.94	1.20	6.5	31.48	13.3	25	NA
Ti-Caro/textiles	4.6	27	5.75	5.75	2.20	8.1	33.17	17.3	16	3.7
Union Carbide/chemicals	4.6	46¼	8.47	9.86	3.20	6.9	68.19	15.8	27	2.0
Katy Industries/multicompany	4.7	14¼	2.73	3.03	—	—	11.95	25.4	53	2.2
Springs Mills/textiles	4.7	16⅞	3.98	3.58	1.20	7.1	39.78	9.3	14	3.1
Western Casualty & Surety/insurance	4.7	35⅞	7.70	7.61	1.88	5.2	49.10	16.6	—	NA
Commercial Metals/metal	4.7	29⅜	6.20	6.20	0.60	2.0	32.28	22.1	18	1.8
Republic New York/banking	4.7	30½	3.00	6.44	1.04	3.4	19.44	38.2	45	NA
American Water Works/water utility	4.7	11½	2.40	2.42	0.96	8.3	31.47	7.7	68	0.8
Carolina Freight Car/trucking	4.7	11⅜	1.81	2.39	0.44	3.9	13.46	22.7	50	1.1
Riegel Textile/textiles	4.7	22½	3.55	4.73	1.80	8.0	33.29	14.5	25	2.9
Texaco/oil & gas	4.7	40	6.48	8.42	2.60	6.5	43.64	21.5	22	1.7
FW Woolworth/retail	4.7	23⅝	5.07	4.96	1.80	7.6	41.95	11.8	37	1.5
Bangor Punta/multicompany	4.7	27⅞	5.95	5.84	1.00	3.6	22.98	29.4	60	2.3
First Maryland Bancorp/banking	4.7	20⅝	4.04	4.35	1.20	5.8	27.45	16.9	23	NA
Ameritrust/banking	4.7	30	6.24	6.27	2.72	9.1	57.39	11.4	—	NA
American Family/life insurance	4.7	7⅝	2.43	1.59	0.60	7.9	10.16	16.3	20	NA
SS Pierce/food processing	4.7	9¼	3.02	1.93	0.20	2.2	24.47	7.9	57	1.7
Penn Traffic/grocery stores	4.8	14½	3.03	3.02	1.20	8.3	21.55	14.7	33	1.6
Equitable of Iowa/life insurance	4.8	15¾	3.75	3.27	1.20	7.6	30.03	11.2	32	NA
Northwestern Natl Life/life insurance	4.8	28½	5.50	5.89	1.25	4.4	47.11	13.1	—	NA
Mott's Super Markets/grocery stores	4.8	10⅛	2.02	2.09	0.20	2.0	14.22	15.7	3	1.8
National City Corp/banking	4.8	34¼	6.79	7.05	2.75	8.0	44.67	16.5	14	NA
Reeves Brothers/textiles	4.8	32¾	7.71	6.74	2.20	6.8	51.63	14.8	17	3.7
New England G&E Assn/electric utility	4.8	14	2.50	2.86	1.72	12.3	19.48	14.7	57	1.0
Shawmut/banking	4.8	46	8.77	9.39	2.80	6.1	86.79	11.5	16	NA
NCNB/banking	4.9	13	2.46	2.65	0.80	6.2	17.94	16.0	34	NA
DPF/food processing	4.9	6¾	1.48	1.37	—	—	15.72	9.7	74	—
Gulf States Utilities/electric utility	4.9	11¼	1.74	2.28	1.48	13.2	15.42	14.8	61	0.5
Transamerica Corp/life insurance	4.9	18¼	3.66	3.70	1.28	7.0	19.49	20.4	56	NA
US Life/life insurance	4.9	19⅝	3.91	3.97	0.72	3.7	21.85	18.2	37	NA
Piedmont Aviation/airline	4.9	14⅛	3.43	2.85	0.24	1.7	17.74	18.7	69	1.2
CNA Financial/insurance	4.9	17⅞	4.70	3.60	—	—	19.11	18.8	33	NA
United Illuminating/electric utility	4.9	18⅝	3.94	3.74	2.68	14.4	30.22	12.3	55	0.4

NA: Not applicable. NM: Not meaningful. neg: negative. d: deficit.

Source: Standard & Poor's

DECEMBER 22, 1980 TWO DOLLARS

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Forbes

SWISS WATCHES

IS TIME RUNNING OUT?

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Forbes

December 22, 1980
Volume 126, Number 13

59 Cover Story: Even luxury jewelers are nonplussed about what is going on in the expensive watch business these days.

29 The Caribbean: Its new, moderate leaders will look to Ronald Reagan for money, sympathy, trade—and patience.

32 Coca-Cola: It's on the move with a new leader and a fresh philosophy.

33 Bank Of America: The smart money wasn't on young Sam Armacost. But his appointment makes sense.

Features

The Caribbean: Castro's Team Takes A Beating
"Never has there been an instance where all the pieces fit into one as now," says Jamaica's new prime minister, Edward Seaga. Without benefit of the U.S. Marines, the people of the Caribbean seem to be rescuing themselves from totalitarian embrace. Now, for the bad news. 29

Illegal Aliens: A New, Old Solution
Remember the *bracero* program? The U.S. is coming back to a form of it—for good reason. 30

Companies: Coca-Cola Co.
Cuban-born Roberto C. Goizueta may shake it up as no one has since Bob Woodruff. 32

Companies: Bank Of America
Choosing a new CEO for the world's largest bank is rather like choosing a new pope. The new one is a tough young streetfighter. 33

Companies: Halliburton Co.
At more than 20 times earnings, it's the closest thing these days to a one-decision stock. But is it worth it? 34

Retailing: Mom And Pop In The Kitchen
If you can afford $4.43 a pound for bacon smoked over a maple wood fire or $1.33 each for grapefruit from Texas so huge and shiny some of them almost look like mutants, there's a fast-growing mail-order business ready and willing to serve your needs. 36

Companies: TRW Inc.
A 15-year diversification is finally paying off. 42

Companies: Prime Computer
"This marketplace is expanding so fast that all of us put together can't service it," says Kenneth G. Fisher, CEO of the hottest company in the supermini computer race. Remember when you heard that before? 46

The Streetwalker: Second-Guessing Harry Oppenheimer
It's quite a trick. But there may be a windfall ahead for whoever can anticipate his move. 49

The Numbers Game: The Breaking Point
Full and early disclosure is always a worthy goal—except when it tips your hand to the opposition. Take the new FASB Statement 38, for example. 50

Statistical Spotlight: Are *Any* Stocks Out Of Favor?
Here are 76—including a few surprises. 56

Cover Story: "Like A Swiss Watch . . ."
For years, that was synonymous with precision and quality. Then came semiconductors and the Japanese. The Swiss long ago ceded the low-price watch market and concentrated on timepieces so expensive that some amount to little more than a way of marking up gold—and, as one Swiss watchmaker puts it, "from a production standpoint, we are an anachronism." But Americans are buying those luxury watches by, and for, the thousands. 59

The Funds: A Time To Sow, A Time To Reap
Proving that if you hold on to an assorted group of stocks long enough, some of them will pay off. 65

42 TRW: A lesson for those who think a business can be changed in a single year.

49 The Streetwalker: Harry Oppenheimer prowls the American veldt; ITT's Rand Araskog solves some problems.

66 The Up-And-Comers: "The one editorial rule," says *National Lampoon*'s Matty Simmons, "is: It can be sick—but it must also be funny."

70 Money Man Marc Fishzohn: A commodities money manager who is no crapshooter.

Money And Investments

The Up-And-Comers: National Lampoon, Inc.
"Irreverent" is one of the kinder words employed to describe the tone and editorial content of Matty Simmons' monthly magazine of outrageous satire and blatant crudity. Simmons shrewdly packages that irreverence and sells it at a handsome markup and for an astonishing 36% return on equity. 66

The Money Men: Marc Fishzohn
Most commodities experts use charts and computers to track trading for buy and sell signals, but Los Angeles' Marc Fishzohn is a fundamentalist. The fundamentals: runaway population growth, world hunger, energy shortages and economic disaster. 70

Personal Affairs

Gold on the installment plan; not-so-fat fat farms; and what you have to invest in time and energy in personal computers—in a word, plenty 74

Faces Behind The Figures

Jerry McAfee, *Gulf Oil Corp* 80
Sidney Shiff, *Limited Editions Club* 80
Anthony Solomon, *New York Federal Reserve Bank* 80
Angus MacNaughton and
Ross Turner, *Genstar Ltd.* 80
Larry Major, *Pittsburgh National Bank* 84
Sam Savage, *Inventor* 84
R. Gordon McGovern, *Campbell Soup Co.* 86
Jack Kleiner, *Attorney* 86

The Economy: Slamming On The Brakes
The hawks have won out at the Fed, which has made up its mind that it will simply not permit creation of enough money to fund everything everybody wants. Many pundits don't take that seriously; they're still looking for accelerated inflation in 1981. Events are going to prove the pundits wrong. 89

Columnists

Ashby Bladen 72
Ben Weberman 90
Heinz H. Biel 92
Ann C. Brown 94
David Dreman 96
Srully Blotnick 98
Stanley W. Angrist 100

Departments

Side Lines 6
Trends 8
Follow-Through 12
Readers Say 16
Fact and Comment....21
Other Comments 24
Editorial Index 102
Flashbacks 103
Thoughts....104

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While the Dow flirts with 1000 and many stocks sell well above book value, undervalued wallflowers are still up for grabs.

The shy ones

Statistical Spotlight

By Steve Kichen

IN THE WAKE OF THE RECENT RALLY, hundreds of stocks have crashed through their 52-week highs. The broadly-based Wilshire index is up 28% since the beginning of the year, and the Dow industrials are up 18%.

With the air strong with the smell of bull we began to wonder if there were some companies that were missing out on the action. Could one still find Ben Graham-type fundamental value in the present market? We asked Norman Weinger, of Oppenheimer and Co., if he would apply his "triple sixes" computer screen to ferret out the presence of any undervalued stocks.

To make it past Weinger's screen, a stock must meet three criteria:

1. Sell at a P/E multiple of 6 or less.
2. Yield 6% or more.
3. Sell at 60% or less of book value.

Out of over 4,000 stocks listed on the NYSE, Amex and o-t-c, fewer than 80 stocks popped up on Weinger's printout. That's little more than half the companies that qualified last year, another good indication that the market as a whole is up and that there are fewer remaining bargains.

The stocks listed below are cheap. The average earnings multiple of the group is 4.5, *vs.* 9.8 for the S&P's 400. On average the group sells at a 50% discount from book. So for every buck you plunk down for these companies you are getting around $2 worth of assets. You also get a high average yield of 8.3%.

Naturally, our list is dominated by industries that have fallen out of market favor: utilities, textiles, consumer-oriented companies and banks. But there are also some surprises: N.V. Philips, for example. The Dutch electronics giant presently sells at a P/E of 4.1 and has a major stake in a laser-based videodisc system. Then there's Reynolds Metals, which sells for less than 4 times earnings despite excellent long-range prospects for aluminum. Another list member, SCM, recently introduced a revolutionary typewriter and has recently resolved a bitter proxy fight.

There are dozens of banks on the list, selling at stick-up prices, of course. Concern over deregulation and the interest rate squeeze has hurt bank stocks. The low stock prices of major banks also reflect investor fears over the quality of loans made to the less-developed countries. But the American banking industry is not likely to be replaced by foreign imports. And banks have historically sold above book value.

A particularly interesting stock is Manufacturers National. It sells at a P/E of only 3.8, giving it an earnings yield—the reciprocal of P/E—of 26%. It also offers a dividend yield of 10% and its recent market price, $22, is less than half of its $50 per-share book value. Like many banks, a good part of this book value is backed up by real estate assets.

Our wallflower list may seem dull at first glance, but like many other things in life, appearances may be deceiving. What really counts is appreciation potential and yield. If you still believe in Ben Graham's theory that, as a group, low P/E, undervalued stocks eventually outperform the market, then this could be the time to introduce yourself to some of our wallflowers.

Anyone want to dance?

The 1980 market surge has left these 76 undervalued wallflowers behind. Almost half of these companies are banks.

Each stock listed below has a price/earnings ratio of 6 or less, yields over 6% and sells for under 60% of book value.

Company	Recent price	Price range 1975 to present	Price/ earnings ratio	Latest 12-month earnings per share	Current yield	Indicated dividend	Book value	Price/ book	Debt/ equity
Amerace	20	32¼–13¼	5.4	$3.72	6.6%	$1.32	$44.34	0.45	50.1%
American Fletcher	17	32 –13¼	4.0	4.24	7.3	1.24	33.44	0.51	NA
American Water Works	11¼	14⅞– 8⅝	4.7	2.42	8.5	0.96	29.16	0.39	230.4
Ameritrust	29⅞	38 –21	4.8	6.27	9.1	2.72	57.43	0.52	NA
Atlanta Gas Light	15	17⅛– 9½	5.2	2.89	11.2	1.68	25.89	0.58	138.9
Banco Popular de Puerto Rico	23⅜	26¾–11¾	3.0	7.77	6.2	1.45	40.83	0.57	12.7
Bank of New York	33⅞	43¼–24½	4.4	7.66	8.9	3.00	60.24	0.56	10.3
Bank of Virginia	12¾	17⅜– 9½	4.8	2.65	9.1	1.16	26.55	0.48	NA
Baybanks	34⅜	36½–21¼	4.1	8.35	8.2	2.80	59.24	0.58	10.5
Blessings	7¾	10¼– 3⅛	4.6	1.69	8.5	0.66	14.73	0.53	72.6
CBT	23½	25⅝–13	3.9	6.04	8.5	2.00	40.61	0.58	NA
Chelsea Industries	8⅜	14½– 4⅝	5.5	1.52	7.2	0.60	18.66	0.45	84.1
Chemical New York	39⅞	47⅛–26	3.8	10.41	8.7	3.48	78.19	0.51	NA
Cluett, Peabody	10⅜	14⅞– 3¼	5.7	1.83	6.6	0.68	22.71	0.46	49.6
Commerce Bancshares	22¼	26 –14¾	4.6	4.80	7.2	1.60	42.12	0.53	NA

Company	Recent price	Price range 1975 to present	Price/ earnings ratio	Latest 12-month earnings per share	Current yield	Indicated dividend	Book value	Price/ book	Debt/ equity
Community Public Service	14⅛	22¼–13⅞	4.6	$3.10	13.3%	$1.88	$26.05	0.54	148.0%
Consolidated Edison	22⅝	25⅞– 7½	4.7	4.80	11.9	2.68	44.39	0.51	96.6
Courtaulds Ltd ADR	1⅝	3⅜– 1¼	4.9	0.33	10.9	0.18	3.55	0.47	66.9
Craddock-Terry Shoe	11½	13¼– 3⅜	5.3	2.18	6.6	0.76	20.47	0.56	34.0
Crompton Co	22¾	35¾– 5½	4.2	5.42	7.9	1.80	48.71	0.47	43.5
Crowley, Milner & Co	9⅜	10⅞– 5⅝	2.3	4.06	8.0	0.75	26.57	0.35	62.9
Dan River	16¼	20 – 4¼	4.5	3.64	6.9	1.12	33.64	0.48	42.1
Dellwood Foods	14¾	14¾– 5⅜	3.7	4.01	6.2	0.92	27.18	0.54	5.1
DETROITBANK	22⅜	29¾–11⅛	4.6	4.89	8.9	2.00	38.99	0.57	6.3
Equimark	9	14⅛– 7⅝	5.2	1.72	10.7	0.96	28.49	0.32	32.8
Fidelity Union Bancorp	28	35⅜–24⅛	4.5	6.18	10.0	2.80	52.14	0.54	6.0
First & Merchants	20	23 –14¼	4.1	4.88	8.8	1.76	38.99	0.51	22.2
First National Boston	33	35 –19	4.0	8.27	6.7	2.20	57.26	0.58	56.3
First Natl State Bancorp	22⅜	26⅝–16¾	4.6	4.84	9.8	2.20	39.41	0.57	25.5
First Union Bancorporation	20¼	22½–11⅜	4.6	4.38	7.9	1.60	33.70	0.60	NA
First Wisconsin	28	29¾–11⅞	4.6	6.07	6.7	1.88	48.64	0.58	NA
Girard	23¼	27¾–14½	3.7	6.29	8.6	2.00	44.98	0.52	NA
Glosser Brothers	7¼	13 – 3⅛	5.6	1.29	6.6	0.48	14.36	0.50	9.7
Graniteville	12½	17⅜– 6⅝	3.8	3.31	8.0	1.00	23.62	0.53	28.5
Greater Jersey Bancorp	14⅛	15⅛– 9⅜	4.0	3.54	9.2	1.30	28.64	0.52	54.0
Harris Bankcorp	23⅛	39⅛–22⅛	4.5	5.15	8.7	2.00	51.16	0.45	0.7
Hart Schaffner & Marx	14½	16 – 5½	5.6	2.60	6.9	1.00	26.43	0.55	24.5
Hartford National	18⅝	20½–11	4.4	4.29	8.6	1.60	32.43	0.58	39.4
Heights Finance	6	7¼– 2¾	4.2	1.42	7.3	0.44	15.44	0.39	559.9
Heritage Bancorporation	12⅞	16⅛– 9⅜	3.8	3.37	9.9	1.28	22.24	0.58	15.2
Huntington Bancshares	28	32¼–14	4.3	6.50	7.1	2.00	47.62	0.59	15.4
IC Industries	33	33 –10¾	6.0	5.53	6.1	2.00	70.67	0.47	99.[illegible]
Kahler	24	24 –13½	5.6	4.26	6.7	1.60	40.48	0.59	31.4
Key Banks	13½	15½– 9⅝	4.1	3.30	8.9	1.20	27.45	0.49	NA
Lincoln First Banks	21½	28½–15½	3.9	5.54	9.3	2.00	52.11	0.41	NA
Maine Public Service	15	20½– 9	5.1	2.94	12.8	1.92	27.68	0.54	137.5
Manufacturers Hanover	28¾	41⅜–24¼	4.3	6.68	8.8	2.52	50.07	0.57	58.0
Manufacturers National	22	30⅜–13⅜	3.8	5.75	10.0	2.20	50.07	0.44	NA
Marine	22¼	31¼–10⅝	3.9	5.74	8.1	1.80	51.82	0.43	NA
Medalist Industries	8½	13⅞– 4⅜	5.4	1.58	7.1	0.60	17.92	0.47	75.1
Michigan National	18¾	21½– 7¼	4.8	3.94	6.4	1.20	31.48	0.60	NA
Midlantic Banks	27⅞	30½–16	3.3	8.58	8.5	2.36	65.07	0.43	25.4
GC Murphy	15⅛	23⅜–10¼	5.9	2.56	8.5	1.28	31.83	0.48	59.9
National Detroit	29½	35⅜–14¾	4.6	6.46	6.8	2.00	52.93	0.56	NA
NLT	21¼	37 –12¾	5.5	3.85	6.2	1.32	35.53	0.60	20.0
Northern Trust	35⅝	42½–27¾	5.3	6.75	6.9	2.44	60.38	0.59	10.4
Philadelphia National	31⅛	36¼–20⅝	4.3	7.19	9.4	2.92	56.26	0.55	NA
Philips NV	7⅞	13⅜– 7⅞	4.1	1.93	9.9	0.78	35.77	0.22	45.7
Provident National	28⅝	29¾–16¾	3.8	7.48	8.4	2.40	48.29	0.59	26.7
Reynolds Metals	36¼	44⅞–14⅝	3.7	9.91	6.1	2.20	60.66	0.60	75.1
Roan Consol Mines Ltd	3½	6⅛– ⅝	2.1	1.66	18.9	0.66	13.39	0.26	32.5
Sage-Allan & Co	5¼	6¼– 2	3.4	1.54	8.0	0.42	15.39	0.34	47.7
SCM	26⅜	32¼– 9	4.5	5.86	6.8	1.80	47.54	0.55	50.4
Shawmut	46¼	51¾–18	4.9	9.39	6.1	2.80	85.28	0.54	28.7
Society	16⅛	23¼– 8½	3.8	4.24	5.2	1.32	31.65	0.51	17.6
Springs Mills	17	20⅞– 8⅝	4.8	3.58	7.1	1.20	39.78	0.43	16.3
Star Supermarkets	10⅞	15¾– 5⅞	4.0	2.75	7.4	0.80	20.84	0.52	100.6
Sterchi Brothers Stores	10⅜	13 – 4⅝	4.8	2.18	6.6	0.68	18.19	0.57	26.8
JP Stevens	17⅜	19⅞– 8⅛	5.8	3.01	6.9	1.20	37.62	0.46	56.8
Stop & Shop Cos	14	21 – 7⅞	5.7	2.44	8.6	1.20	30.60	0.46	144.2
Summer & Co A	6¼	9¼– 3½	3.7	1.68	9.2	0.57	19.77	0.32	64.9
Tenn Valley Bancorp	10½	17 – 8¼	5.8	1.80	7.7	0.80	23.26	0.45	NA
United Jersey Banks	10	13⅞– 8⅜	4.0	2.48	10.8	1.08	20.98	0.48	43.4
Walker-Scott	7½	15½– 1¾	4.6	1.63	8.0	0.60	16.79	0.45	75.2
Woodward & Lothrop	23	33 –10	5.9	3.87	7.4	1.70	38.78	0.59	64.2
FW Woolworth	24	32 – 9⅜	4.6	5.22	7.5	1.80	43.71	0.55	58.6

NA: Not applicable

Source: Oppenheimer & Co., Inc

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cover 1, p. 4-5, 49-50, 52,
54, 56, 58, 63-64, 66, 71-
74, 76, 78-80, 84-86, 88,
90, 92, 94, 97-98, 103-104,
106, 110, 112, 114, 118,
120, 122, 127-128, 130, 132,
135-136, 138, 140, 143-144,
146, 148-149, 151-152, 154,
156, 158-160, 187-188, 190-
192, 194, 196, 198-200, 202-
204, 206, 208-210, 212-214,
216-217, 220-235, 238-294.

JANUARY 5, 1981 THREE DOLLARS

Forbes

33rd ANNUAL REPORT ON AMERICAN INDUSTRY

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January 5, 1981
Volume 127, Number 1

33rd Annual Report on American Industry

How the 1,041 largest U.S. public companies in 49 major U.S. industrial groups compare in profitability, growth and market performance on the FORBES Yardsticks, and what lies ahead for them in 1981.

Features

Inflation indexing: economic alcoholism
Everyone knows a hangover lurks after every binge. "The only antidote," the late W.C. Fields used to say, "is alcohol." The spread of indexing through our inflation-drunk economy is much the same thing. Trying to avoid a cold-turkey headache, we are setting ourselves up for cirrhosis of the liver. 37

An interview with C. Northcote Parkinson
Some gloomy contemplations, cheerfully stated. 44

The FORBES Rankings

The Yardsticks: What they are. What they measure. How to use them 49

Where to find the company: An index to the 1,041 companies in this issue. 50

Who's where in the industry groups: How 49 major industries and 57 subgroups compare. 257

Who's where in profitability: How they rank in return on equity and on total capital. 260

Who's where in growth: How they stack up in sales and earnings growth 269

Who's where in the stock market: How their stocks performed. 278

The Industry Reports

Aerospace and defense: Who's pressing us? One guess. 135
Airlines: The rich get poorer; the poor get rich. 144
Aluminum: No more overexpansion—maybe. 84
Apparel: A little shrinking. 200
Autos and trucks: Is there a tragic poet in the house? 71
Auto suppliers: Twice cursed. 73
Banks: The Eighties will change them forever. 118
Beverages: Trench warfare in a zero-sum game. 216
Branded foods: Hurrah for the two-income family. 206
Broadcasting: Masters and servants. 255
Brokerage: Often bloodied, still unbowed. 103
Building materials: Stayin' alive—barely. 234
Chemicals: What, me worry? 198
Computers: Here comes the H-bomb. 250
Conglomerates: It's passé, of course—but such fun. 156
Construction contractors: The end of a decade of doldrums? 203
Construction, mining, transport equipment: Sometimes you're up, sometimes you're down. 152
Consumer finance: Not much butter on the bread. 112
Copper: "All we got was a little fillip." 238
Diversified metals: Golden dreams. 239
Drugs: Science-fiction turns real—almost. 244
Electrical equipment: Lemons into lemonade. 138
Electric utilities: Do something—but what? 217
Electronics: Shades of 1974? 140
Energy: The great decontrol watershed. 76

Food processors: Nobody here but us chickens. 223
Forest products: Mt. St. Helens was the easy part. 241
General retailers: A fork in the road. 246
Health care: Forget the Kennedy plan. 130
Household goods: Finessing the demographics. 86
Industrial equipment: Of synfuel plants and men on the moon. 148
Insurance: Inflation works a quiet revolution. 127
Leisure: Electronics works a splashy revolution. 227
Multi-industry companies: A return to first principles. 159
Natural gas: Whither the "bubble"? 209
Office equipment: Titanic battle for a big market. 252
Packaging: A year of "profound" change. 242
Publishing: Easier to get in than to stay in. 253
Railroads: How much profit in the coal boom? 92
Specialty retailing: Computers over the counter. 248
Specialty steel: "The Japanese have a friendly banker." 192
Steel: "One strike and you're out." 190
Supermarkets: Change comes hard. 230
Telecommunications: Can the eggs be unscrambled? .225
The thrifts: Run for your life. 106
Tobacco: Intimidated no more. 97
Toiletries and cosmetics: The new buzzword is "psychographics." 187
Truckers and shippers: Apocalypse now? 213
Wholesalers: Mom and Pop's best friend. 232

Personal Affairs

De Lorean's Belfast buggy, some talk from E.F. Hutton and how to go first class at the Hyatt. 295

Money And Investments

The Economy: A Painful Year Coming Up
If you're looking for a repeat of what happened late last summer—a quick cresting in interest rates followed by a sharp drop—forget it. The year 1981 is going to be painful, with punishing interest rates probably until at least late summer. Any way you look at it, it is going to be a rough year for the economy. The wise businessman will be prepared. 299

Columnists

Ben Weberman 300
Heinz H. Biel...............302
Stanley W. Angrist 303
Ann C. Brown 304
Srully Blotnick 306
Ashby Bladen 307
John Train 308
Martin T. Sosnoff.............310
Richard B. Hoey 312

Departments

Side Lines 8
Trends 10
Follow-Through 16
Readers Say 20
Fact and Comment 29
Other Comments 32
Flashbacks.........................313
Thoughts..........................316

Photos: pp. 8, 86, 192, 206, 212, 227, 246, 254, Bill Kelly; p. 16, UPI; p. 72, Wide World; p. 76, Ivan Massar/Black Star; p. 79, Mike Smith/Black Star; pp. 92, 98, 209, 226, Jim Pickerell; p. 94, Ed Nowak; p. 104 top, DeWys; pp. 104 right, 188, 249, Robert Forbes; pp. 110, 203, 237, James Caccavo; p. 114, George Ceolla/Black Star; p. 122, Ron Sherman; pp. 130, 191, Paul Conklin; pp. 194, 248, Shelley Katz/Black Star; p. 198, Robert Azz/Woodfin Camp; p. 214, Leroy Woodson Jr.; p. 222 top, Dan Miller/Black Star; p. 224, John Barr/Gamma Liaison; p. 229, Ken Regan/Camera 5; p. 234, Ray Fisher; p. 239, Peter Tatiner/Gamma Liaison; p. 242, Tom Zimberhoff/Sygma; p. 245, Taurus Photos

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The Forbes Yardsticks: 1980

How to use them

THE FORBES 33RD ANNUAL REPORT ON AMERICAN INDUSTRY measures management performance of 1,041 big public companies, most with latest fiscal year sales of at least $350 million.

The FORBES Yardsticks size up these companies in several ways. We measure their profitability in terms of return on stockholders' equity and on total capital. We measure their growth in both earnings per share and sales. For current trends we track these figures for the latest 12 months, while for a longer view we look at them over the past five years. We also measure their debt-to-equity ratios, net profit margins and stock market performance.

Using all these measures, we compare each of the 1,041 companies against competitors in its own industry and against all 1,040 other companies. Finally, we compare median numbers for the major industry groups against each other. There are substantially more major industry groups this year—49, compared with 31 last year. Many industries are further divided into subgroups to give a clearer picture of how each company stacks up against its real competitors.

To locate a company, refer to the table that begins on the next page: "Where to find the company." It lists the 1,041 companies alphabetically and gives the page where the story related to its industry begins and the appropriate Yardsticks tables appear. You will also find in the alphabetical listing how that company ranks in terms of profitability, growth and stock market performance.

Where to find the Yardsticks

Industry median rankings, page 257
Profitability rankings, page 260
Growth rankings, page 269
Stock market rankings, page 278

How they are calculated

Return on stockholders' equity Companies obtain their capital from two sources: stockholders and creditors. Return on stockholders' equity is the percentage return on the stockholders' portion of the capital. We express earnings per common share (primary basis) as a percentage of the stockholders' equity per share, assuming conversion of all convertible preferred, at the start of the year. The five-year return in our Yardsticks tables is the average of the returns calculated for the four years 1976 through 1979 and the 12-month period ending with the most recent quarterly report. (For companies whose fiscal years end in January, February or March, the years 1977-80 are used in place of 1976-79.)

Return on total capital This figure is the percentage return on a combination of stockholders' equity (both common and preferred) plus capital from long-term debt including current maturities, minority stockholders' equity in consolidated subsidiaries and accumulated deferred taxes and investment tax credits. The profit figure used in this computation is the sum of net income, minority interest in net income and estimated aftertax interest paid on long-term debt—in other words, income before charges (which means, primarily, interest payments on long-term debt) relating to the nonequity portion of the capital.

The return on total capital is a "basic" measure of an enterprise's profitability. For companies that derive all of their capital from common equity, the two profitability measures will of course be identical. But a company that employs debt wisely can thereby boost its return on stockholders' equity well above the return on total capital. The time periods employed for this calculation are the same as those for return on stockholders' equity.

Debt-to-equity ratio This ratio tells us to what extent management is using borrowed funds (leverage) in an attempt to increase profits. It is calculated as of the end of the last reported fiscal year by dividing long-term debt (including current maturities) by the sum of stockholders' equity, minority stockholders' interest and accumulated deferred taxes and investment tax credits. A high debt-to-equity ratio makes earnings more volatile and is usually considered prudent only in relatively stable industries.

Net profit margin This measure gives a view of profits different from either the return on stockholders' equity or the return on total capital. Calculated by dividing net profits for the latest 12 months by net sales, it reveals what percentage of each dollar of revenue is available for payment of dividends and reinvestment in the business.

Earnings-per-share growth To present a clear picture and even out short-run distortions caused by very poor or very good years, we reach back over ten years to measure five-year earnings-per-share growth. Using primary earnings per share, we take the average for the most recent five years (1976 through the latest 12 months) and compute the percentage change from the average for the preceding five years (1971 through 1975). We then express that change in terms of a five-year compound annual rate of growth, since the midpoints of the two periods are five years apart.

Sales growth As with earnings growth, we go back ten years to calculate the five-year rate of sales growth. We compare average sales for the company's most recent five years against the average for the preceding five years, and express the change in terms of a five-year compound annual growth rate.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Abbott Laboratories	177	181	312	130
ACF Industries	586	562	486	152
Acme-Cleveland	726	264	185	148
Aetna Life & Casualty	217	180	351	127
H F Ahmanson	558	360	411	106
Air Prods & Chems	264	211	573	198
Akzona	976	956	990	198
Albertson's	137	226	499	230
Alcan Aluminium	316	103	187	84
Alco Standard	252	277	316	156
Alexander & Alexander	10	166	437	112
Alexander & Baldwin	727	807	396	213
Alexander's	963	812	399	246
Alleghany	644	397	129	159
Allegheny Ludlum Inds	757	695	307	192
Allegheny Power	830	891	948	217
Allen Group	643	359	314	73
Allied Chemical	842	802	489	198
Allied Products	997	974	596	156
Allied Stores	667	494	848	246
Allied Supermarkets	1034	1004	1001	230
Allied Van Lines	901	849	551	213
Allis-Chalmers	741	76	264	159
Alcoa	431	135	518	84
AM International	991	927	452	252
AMAX	617	607	620	239
Amdahl	145	966	492	250
Amerace	711	839	704	148
Amerada Hess	212	371	61	76
American Airlines	913	**	754	144
American Bakeries	901	**	616	206
American Brands	307	512	426	97, 159
Amer Broadcasting	141	100	335	255
American Can	765	331	825	242
American Cyanamid	707	822	703	187, 198
American Elec Power	824	903	933	217
American Express	236	303	817	112
American Family	80	255	747	127
American Financial	70	87	**	112
American General	308	214	286	127
American Greetings	573	608	651	227
Amer Hoist & Derrick	583	535	419	152
American Home Products	27	542	890	244
Amer Hospital Supply	523	360	565	130, 232
American Intl Group	103	172	478	127
Amer Maize-Products	886	869	635	206
Amer Medical Intl	453	212	15	130
American Motors	1015	979	929	71
American Natl Ins	684	298	448	127
Amer Natl Resources	624	834	571	209
American Petrofina	499	735	436	76
American Standard	126	6	163	156, 234
American Stores	200	142	659	248
American Tel & Tel	709	667	829	140, 225
AmeriTrust	808	708	695	118
Ametek	204	388	254	148
AMF	676	889	762	156, 227
Amfac	850	888	404	156
AMP	67	206	409	138
Ampex	587	**	69	140
Amstar	738	856	564	206
Amsted Industries	202	184	218	152
Anchor Hocking	667	635	715	242
Anderson, Clayton	782	485	680	223
Anheuser-Busch Cos	500	661	928	216
ARA Services	699	722	986	248
Arcata	666	19	304	253
Archer Daniels Midland	344	205	460	223
Arden Group	1005	**	476	230
Arizona Public Service	647	812	792	217
Ark Louisiana Gas	334	618	201	209
Armco	745	616	374	190
Armstrong Rubber	975	936	670	73
Armstrong World Inds	858	774	998	234
Arvin Industries	297	144	623	73
ASARCO	785	703	186	239
Ashland Oil	32	115	220	76
Associated Dry Goods	909	895	978	246
Athlone Industries	524	574	285	192
Atlanta Gas Light	811	770	729	209
Atlantic Richfield	286	153	232	76
A-T-O	661	445	308	156
Auto Data Processing	183	215	452	252
Avco	146	12	73	112, 156
Avery International	656	492	942	148
Avnet	227	351	115	140
Avon Products	29	586	799	187, 248
Avondale Mills	958	921	791	200
Bache Group	848	431	154	103
Baker International	138	102	172	152
Baldwin-United	122	248	119	112
Ball Corp	541	426	618	242
Bally Manufacturing	125	157	47	227
Baltimore Gas & Elec	817	860	820	217
BanCal Tri-State	827	398	457	118
BancOhio	904	866	758	118
Bangor Punta	329	**	62	156
Bank of New York	732	808	726	118
BankAmerica	351	412	731	118
Bankers Trust N Y	748	749	466	118
Barnes Group	298	237	250	73
Bausch & Lomb	208	156	159	130
Baxter Travenol Labs	406	213	724	130
Beatrice Foods	410	608	938	206
Beckman Instruments	532	176	238	140
Becton, Dickinson	580	507	716	130
Belco Petroleum	160	185	50	76
Bell & Howell	987	964	415	252
Bemis	825	611	428	242
Bendix	476	394	524	73, 159
Beneficial Corp	737	864	746	112, 248
Bergen Brunswig	862	18	171	232
Berkshire Hathaway	551	88	29	127, 156
Best Products	42	20	207	248
Bethlehem Steel	988	970	880	190
Big Three Industries	319	167	309	148
Big V Supermarkets	149	93	161	230
Bird & Son	653	865	994	234
Black & Decker	452	436	901	86
Blount	174	280	130	203
Blue Bell	97	106	577	200
Boeing	135	26	48	135
Boise Cascade	672	4	556	234, 241
Borden	705	584	834	206
Borg-Warner	635	409	378	73, 159
Borman's	972	**	546	230
Boston Edison	889	900	886	217
Braniff Intl	1012	979	999	144
Briggs & Stratton	133	536	779	148
Bristol-Myers	169	478	663	244

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Brockway Glass	837	754	841	242
Brooklyn Union Gas	681	761	699	209
Brown-Forman Dist	420	356	139	216
Brown Group	590	573	456	200, 248
Browning-Ferris Inds	587	542	141	148
Bruno's	84	84	40	230
Brunswick	852	847	657	156, 227
Bucyrus-Erie	329	262	689	152
Bunker Ramo	762	11	33	140
Burlington Inds	915	783	956	200
Burlington Northern	946	143	165	92
Burroughs	571	427	1003	250
Business Men's Assur	460	44	204	127
Butler Manufacturing	441	581	469	234
Cabot	211	53	30	198
Caesars World	690	112	4	227
Cal-Maine Foods	943	733	760	232
Caldor	85	159	168	246
Cameron Iron Works	180	138	56	152
Campbell Soup	512	640	840	206
Campbell Taggart	340	460	638	206
Cannon Mills	906	569	459	200
Capital Cities Commun	181	173	258	253
Capital Holding	646	554	900	127
Carnation	373	501	908	206
Carolina Pwr & Lt	784	858	878	217
Carpenter Technology	354	244	146	192
Carson Pirie Scott	716	379	401	246
Carter Hawley Hale	703	795	902	246
Castle & Cooke	850	779	737	206
Caterpillar Tractor	247	473	665	71, 152
CBI Industries	225	534	345	148
CBS	152	412	765	255
Ceco	920	928	676	234
Celanese	754	363	702	198
Centex	118	104	100	203
Central & South West	610	803	965	217
Central Illinois Lt	871	917	937	217
Central Ill Pub Svc	765	886	916	217
Central Louisiana Engy	188	336	85	209
Central Soya	734	751	784	223
Central Steel & Wire	664	552	281	192
Central Tel & Utils	392	648	718	225
Certain-teed	721	613	844	234
Cessna Aircraft	402	416	292	135
CFS Continental	896	881	989	232
Champion Intl	512	620	646	234, 241
Champion Spark Plug	563	861	963	73
Charter	8	32	81	76
Chase Manhattan	821	800	570	118
Chemical New York	754	730	666	118
Chesebrough-Pond's	237	525	797	187
Chic & North Western	65	231	12	92
Chic Pneumatic Tool	942	943	918	148
Chromalloy American	397	650	323	156
Chrysler	1030	979	974	71
Chubb	290	222	796	127
Cincinnati G & E	712	855	925	217
Cincinnati Milacron	267	34	20	148
Circle K	199	317	124	230
Citicorp	474	564	971	118
Cities Service	617	449	149	76
Citizens & Southern NB	949	947	662	118
City Investing	483	309	197	156
City Stores	1031	1004	386	246

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Clark Equipment	515	590	671	71, 152
Clark Oil & Refining	51	48	90	76
Cleveland Elec Illum	708	868	920	217
Clorox	275	727	875	86
Cluett, Peabody	870	195	685	200
CNA Financial	162	**	240	127
Coastal Corp	**	637	**	76
Coca-Cola	141	558	952	216
Coca-Cola Bottling NY	964	953	836	232
Colgate-Palmolive	619	785	1013	86, 187
Collins & Aikman	787	792	961	200
Colonial Penn Group	104	344	1011	127
Colt Industries	325	382	290	192
Columbia Gas System	705	794	507	209
Columbia Pictures	4	**	53	227
Combined Internatnl	184	513	501	127
Combustion Engnrng	218	235	128	148
Commercial Metals	786	896	272	239
Commonwealth Edison	882	907	995	217
Commonwealth Oil Rfg	1016	979	1017	76
Computer Sciences	11	**	131	252
ConAgra	56	9	75	223
Cone Mills	338	118	392	200
Connecticut General	414	388	581	127
Conoco	222	253	339	76
Consolidated Edison	805	594	591	217
Consolidated Foods	496	580	748	206
Consol Freightways	165	243	628	213
Consol Natural Gas	661	571	375	209
Consolidated Papers	243	161	280	241
Consumers Power	782	765	861	217
Continental Airlines	951	131	540	144
Continental Corp	522	327	750	127
Continental Group	685	487	692	242
Continental Illinois	474	541	532	118
Continental Tel	623	789	736	225
Control Data	908	376	164	112, 250
Cook United	973	1	283	246
Cooper Industries	107	114	103	148
Adolph Coors	703	711	949	216
Copeland	218	424	328	138
Copperweld	652	826	717	192
Corning Glass Works	511	330	530	140, 159
CPC International	288	470	572	206
Crane	417	611	376	159, 192
Crocker National	493	510	523	118
Cross & Trecker	**	68	**	148
Crouse-Hinds	178	276	125	138
Crown Central Petroleum	69	35	43	76
Crown Cork & Seal	433	354	475	242
Crown Zellerbach	752	734	551	241
Crum & Forster	174	204	343	127
CSX	**	767	**	92
Culbro	1018	979	982	97
Cullum Companies	300	96	41	230
Cummins Engine	546	219	601	73
Curtice-Burns	324	483	508	206
Curtiss-Wright	803	125	298	159
Cyclops	953	748	329	192
Dan River	890	41	365	200
Dana	285	346	753	73
Dart & Kraft	**	540	**	206
Data General	150	62	417	250
Dayco	477	546	512	156
Dayton Power & Light	869	916	976	217

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

Company	Rank Profitability	Growth	Stock market	Industry survey page
Dayton-Hudson	119	92	519	246
Dean Foods	194	90	86	206
Dean Witter Reynolds	582	718	270	103
Deere	412	517	481	71
DEKALB AgResearch	392	423	586	223
Delmarva Power & Lt	825	887	849	217
Delta Air Lines	428	475	560	144
Deluxe Check Printers	67	320	416	253
Dennison Mfg	468	472	319	148
Denny's	189	192	835	227
DeSoto	660	238	356	234
Detroit Edison	895	882	881	217
DETROITBANK	669	665	633	118
Dexter	258	197	169	198
Diamond Intl	771	857	768	242
Diamond Shamrock	159	398	648	198
Dibrell Brothers	734	588	439	223
Di Giorgio	900	462	288	206, 232
Digital Equipment	350	65	402	250
Dillard Dept Stores	890	821	853	246
Dillingham	903	577	362	159
Dillon Companies	114	267	855	230
Walt Disney	712	321	801	227
R R Donnelley & Sons	541	465	509	253
Dorchester Gas	38	67	63	76
Dorsey	655	268	227	242
Dover	88	225	107	234
Dow Chemical	206	524	945	198
Dow Jones	38	437	352	253
DPF	319	**	612	206
Dravo	661	582	305	203
Dresser Industries	252	250	230	152
Duke Power	688	692	887	217
Dun & Bradstreet	78	497	410	253
E I du Pont	467	593	793	198
Duquesne Light	893	945	955	217
Dynalectron	927	836	92	203
E-Systems	181	132	80	135
Eagle-Picher Inds	441	560	557	148
Earth Resources	45	111	118	76
Easco	583	793	828	73
Eastern Air Lines	860	**	391	144
Eastern Gas & Fuel	696	738	450	76
Eastman Kodak	278	689	972	227
Eaton	433	565	607	73
Echlin Manufacturing	325	522	719	73
Jack Eckerd	281	295	642	248
Economics Laboratory	384	421	874	86
Edison Bros Stores	111	208	491	248
EG&G	82	126	58	140
El Paso	855	940	398	209
Electronic Data Syst	170	739	277	252
Emerson Electric	213	459	734	138
Emery Air Freight	16	467	981	144
Emhart	374	354	514	148
Empire	503	311	21	76
Engelhard Minerals	31	113	98	239
ENSERCH	465	741	196	209
Entex	55	94	228	209
Envirotech	994	972	833	148
Equifax	300	852	742	253
Equitable of Iowa	791	501	626	127
Esmark	818	835	490	159, 223
Ethyl	366	602	430	198
Evans Products	298	28	143	234

Company	Rank Profitability	Growth	Stock market	Industry survey page
Ex-Cell-O	614	273	255	148
Exxon	351	631	433	76
Fairchild Industries	90	30	17	135
Farm House Foods	220	250	151	232
Farmers Group	197	260	602	127
Fed-Mart	1006	978	1010	246
Federal Co	439	284	350	206
Federal Express	**	5	**	144
Federal-Mogul	277	117	226	73
Fedl Natl Mortgage	674	837	934	112
Federal Paper Board	677	743	340	241
Federated Dept Stores	564	647	1008	246
Ferro	480	649	590	198
Fidelcor	984	971	939	118
Fieldcrest Mills	481	240	502	200
Firestone	1000	975	1020	73
First Bank System	546	637	850	118
First Boston	598	833	444	103
First Charter Finl	644	491	619	106
First Chicago	862	842	898	118
First City Bancorp	454	476	384	118
First Intl Bshs	375	488	611	118
First Natl Boston	794	745	621	118
First Natl Supermkts	694	922	**	230
First Pennsylvania	1007	979	1027	118
First Wisconsin	877	747	567	118
Fischbach	642	804	690	203
Fisher Foods	962	963	954	230
Fisher Scientific	595	147	180	148
Fleetwood Enterprises	768	778	1000	227
Fleming Companies	369	578	443	232
Flickinger	552	501	495	232
Florida Power	717	806	818	217
Florida Power & Lt	717	771	810	217
Flowers Industries	255	349	216	206
Fluor	108	82	88	203
FMC	649	529	594	159
Food Fair	1032	979	979	230
Food Town Stores	17	54	122	230
Foodarama Supermkts	948	**	853	230
Ford Motor	809	714	984	71
Foremost-McKesson	415	666	342	232
Fort Howard Paper	89	207	414	241
Foster Wheeler	147	119	23	148
Foxboro	552	189	241	148
Franklin Mint	305	703	950	227
Frederick & Herrud	750	893	362	223
Freeport Minerals	261	414	74	198
Frontier Airlines	155	149	173	144
Fruehauf	525	455	649	71
Fuqua Industries	348	70	223	156
GAF	989	967	800	159
Gannett	223	304	554	253
Garfinckel Brooks Bros	633	699	604	246
Gas Service	843	843	843	209
Gates Learjet	130	199	31	135
GATX	881	902	545	152
GEICO	63	**	644	127
Gelco	102	57	97	213
General Cinema	262	357	318	227
General Dynamics	504	272	91	135
General Electric	237	545	674	86, 138, 159
General Foods	364	454	775	206
General Host	965	969	519	223
General Instrument	444	50	19	140

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

Company	Rank: Profitability	Rank: Growth	Rank: Stock market	Industry survey page
General Mills	322	406	905	206
General Motors	426	736	930	71
General Public Utils	919	933	1028	217
General Re	153	139	622	127
General Refractories	1004	979	732	148
General Signal	468	290	234	148
General Tel & Elec	585	719	766	140, 225
Genl Tire & Rubber	841	766	650	73, 159
Genesco	1022	1004	764	200, 248
Genuine Parts	208	377	735	73
Georgia-Pacific	345	476	809	234, 241
Geosource	143	109	101	152
Gerber Products	506	660	776	206
Getty Oil	413	245	297	76
Giant Food	510	536	471	230
Gibraltar Financial	639	357	259	106
Gifford-Hill	648	592	210	234
Gillette	380	823	891	187
Gino's	974	962	872	227
Girard	760	746	641	118
GK Technologies	405	386	134	140
Godfrey	531	510	284	230
Goldblatt Brothers	1021	979	947	246
Golden West Finl	101	198	195	106
B F Goodrich	955	756	627	73
Goodyear	912	894	922	73
Gordon Jewelry	483	326	559	248
Gould	491	526	655	138
W R Grace	639	741	330	156, 198
W W Grainger	251	286	589	138
Graniteville	899	879	823	200
Gray Drug Stores	857	768	574	248
Great Atl & Pac Tea	1014	1004	1014	230
Gt Northern Nekoosa	534	444	423	241
Gt Western Financial	569	336	400	106
Greyhound	673	811	739	213, 223
Grumman	701	**	371	135
Gulf & Western Inds	278	307	636	156
Gulf Oil	631	650	349	76
Gulf Resources & Chem	871	939	510	239
Gulf States Utils	756	867	893	217
Gulf United	565	713	287	127
Halliburton	144	146	217	203
Hammermill Paper	823	584	543	241
Handy & Harman	202	301	38	239
Hanna Mining	677	643	968	192
Hannaford Bros	456	605	539	230
Hanover Insurance	173	154	39	127
Harcourt Brace Jovan	530	672	647	253
Hardee's Food Systems	242	58	175	227
Harnischfeger	914	911	778	152
Harris Bankcorp	856	814	867	118
Harris Corp	256	78	68	140, 148
Harsco	380	453	403	148
Hart Schaffner & Marx	898	688	537	200
Hartfield-Zodys	596	**	660	246
Harvey Hubbell	430	636	455	138
Heck's	294	274	300	246
G Heileman Brewing	44	85	36	216
H J Heinz	497	319	677	206
Walter E Heller Intl	630	753	951	112
Hercules	639	687	899	198
Hershey Foods	325	416	701	206
Heublein	454	663	992	216
Hewlett-Packard	306	200	422	140, 250

Company	Rank: Profitability	Rank: Growth	Rank: Stock market	Industry survey page
Hilton Hotels	148	90	96	227
Edward Hines Lumber	945	884	580	234
Hobart	538	725	866	148
Holiday Inns	814	716	500	227
Holly Corp	70	59	42	76
Honeywell	656	439	253	140, 250
Hoover	752	790	599	86
Hoover Universal	155	316	497	73
George A Hormel	489	443	431	223
Hospital Corp of Am	303	186	65	130
Host International	232	231	515	227
Household Finance	558	706	782	112, 246
Houston Industries	577	696	741	217
Houston Natural Gas	66	110	324	209
Houston Oil & Minerals	5	27	72	76
Howell	13	152	380	76
Hughes Tool	343	164	235	152
Humana	136	63	6	130
E F Hutton Group	91	165	77	103
Hyster	206	105	183	71, 152
IC Industries	888	498	438	92, 156
Ideal Basic Inds	349	402	372	234
Idle Wild Foods	240	287	246	223
Illinois Power	715	872	987	217
Illinois Tool Works	333	479	668	148
Imperial Corp of Am	463	260	269	106
INA	506	410	531	127
Inco	907	946	864	239
Indianapolis Pwr & Lt	575	796	804	217
Ingersoll-Rand	598	782	744	148
Inland Steel	905	877	946	190
Insilco	417	531	236	86
Intel	41	40	184	140
Interco	552	662	697	200
Interlake	934	908	723	192
IBM	164	498	691	250
Intl Flavors & Frag	129	329	865	187
Intl Harvester	918	717	693	71
Intl Minerals & Chem	226	364	348	198
Intl Multifoods	687	681	606	206
International Paper	533	549	958	241
Intl Tel & Tel	839	830	624	156
InterNorth	282	384	296	209
Interpace	740	494	579	234
Interpublic Group	134	230	192	253
Iowa Beef Processors	215	246	99	223
Irving Bank	659	583	446	118
IU International	**	121	**	156
James River Corp Va	61	79	191	241
Jefferson-Pilot	616	531	860	127
Jewel Companies	736	714	569	230
Jim Walter	500	654	913	234
Johns-Manville	816	685	770	234
Johnson & Johnson	280	440	716	130
Johnson Controls	263	171	240	148
Jonathan Logan	1017	979	879	200
Earle M Jorgensen	369	445	245	192
Joy Manufacturing	537	379	503	152
K mart	312	308	1007	246
Kaiser Alum & Chem	448	192	493	84
Kaiser Steel	897	786	656	190
Kane-Miller	978	955	927	206
Kaneb Services	87	335	189	76
Kansas City Pwr & Lt	874	885	907	217
Kansas Power & Light	680	815	619	217

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Kaufman & Broad	790	75	458	203
Kay	59	14	13	223
Kellogg	57	405	868	206
Kellwood	760	750	856	200
Kelly Services	54	127	66	252
Kemper	127	116	197	127
Kennecott	986	961	808	238
Kentucky Utilities	910	930	935	217
Kerr Glass Mfg	738	281	881	242
Kerr-McGee	605	601	698	76
Keystone Consolidated	1008	979	996	192
Keystone Foods	92	178	242	223
Kidde	558	494	325	156
Kimberly-Clark	283	203	634	187, 241
King Kullen Grocery	929	684	505	230
Kings Dept Stores	339	566	846	246
Knight-Ridder News	417	299	423	253
Knudsen	792	754	513	206
Koppers	494	520	474	159
Kroger	580	291	334	230
Kuhn's-Big K Stores	956	954	1016	246
Laclede Gas	681	764	777	209
Lane Bryant	794	825	598	248
Lear Siegler	124	66	76	140, 156
Leaseway Transportation	128	388	435	213
Levi Strauss	18	45	147	200
Levitz Furniture	577	367	562	248
Libbey-Owens-Ford	700	828	760	73
Liberty Natl Life	714	650	919	127
Eli Lilly	190	551	745	244
Lincoln National	690	492	592	127
Liquid Air of No Amer	519	567	673	198
Litton Industries	836	21	18	156
Lockheed	105	699	155	135
Loews	132	107	179	97, 227
Lone Star Industries	566	448	303	234
Long Island Lighting	653	853	847	217
Longs Drug Stores	166	342	871	248
Longview Fibre	423	631	289	242
Louisiana Land	79	644	310	76
Louisiana-Pacific	401	507	322	234, 241
Louisville Gas & Elec	861	899	926	217
M Lowenstein	995	950	709	200
Lowe's Companies	296	549	973	232
LTV	796	331	452	156, 190
Lubrizol	75	325	468	198
Lucky Stores	112	570	811	230
Lukens Steel	929	831	645	192
Macmillan	1010	979	231	253
R H Macy	447	264	315	246
Magic Chef	834	455	652	86
Mallinckrodt	269	282	752	198
Malone & Hyde	259	392	504	232
Manhattan Industries	1013	979	465	200
Manufacturers Hanover	587	645	805	118
Manufacturers National	649	683	637	118
MAPCO	60	249	700	76
Marathon Oil	293	328	178	76
Marine Midland Banks	959	944	576	118
Marley	235	145	364	148
Marriott	546	238	377	227
Marsh & McLennan Cos	24	345	780	112
Marsh Supermarkets	435	310	317	230
Marshall Field	949	934	985	246
Martin Marietta	399	339	144	159
Maryland Cup	571	323	274	242
Masco	110	224	625	234
Masonite	552	597	608	234
Massey-Ferguson	1023	979	1029	71
Mattel	123	**	153	227
May Dept Stores	636	599	932	246
Oscar Mayer	603	724	821	223
Maytag	62	628	870	86
MCA	186	217	388	227
McCormick	490	481	710	206
McDermott	471	559	393	203
McDonald's	109	173	940	227
McDonnell Douglas	679	720	261	135
McDonough	446	514	237	200
McGraw-Edison	612	518	533	138
McGraw-Hill	249	266	229	253
McLean Trucking	733	876	1009	213
McLouth Steel	1011	979	1024	192
Mead	224	183	361	241
Mellon National	806	675	713	118
Melville	53	209	405	200, 248
Memorex	151	**	470	250
Mercantile Bancorp	594	757	756	118
Mercantile Stores	600	640	988	246
Mercantile Texas	294	396	366	118
Merck	86	519	730	244
Meredith	369	29	111	253
Merrill Lynch	515	639	291	103
Metromedia	40	55	51	255
Fred Meyer	450	394	278	230
MGM Grand Hotels	130	101	**	227
Michigan National	440	533	568	118
Middle South Utils	771	871	911	217
Midland-Ross	457	254	279	148
Milton Bradley	245	216	123	227
Minnesota Gas	508	729	774	209
Minn Mining & Mfg	166	461	769	159
Mission Insurance	23	46	32	127
Missouri Pacific	74	282	158	92
Mitchell Enrgy & Dev	14	63	3	76
Mobil	354	441	212	76
Modern Merchandising	260	242	563	248
Mohasco	969	942	1004	86
Monfort of Colorado	1020	979	924	223
Monsanto	695	769	876	198
Montana Power	877	918	787	217
Moore Corp	334	676	970	252
Moore McCormack Res	397	220	282	213
J P Morgan	520	622	903	118
Morrison-Knudsen	472	236	52	203
Morse Shoe	291	99	160	248
Morton-Norwich	821	797	385	244
Motorola	481	365	440	140
Munford	993	973	895	230
G C Murphy	957	915	839	246
Murphy Oil	379	375	27	76
Nabisco	283	521	683	206
Nalco Chemical	94	322	544	198
Nash Finch	468	627	759	232
Nashua	391	352	301	252
National Can	686	659	369	242
National City	462	624	712	118
Natl Convenience Strs	138	129	82	230
Natl Detroit	721	677	606	118
National Distillers	698	604	496	159, 216

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth. **Stock market:** 5-year price change. **Not ranked.

Where to find the company

Company	Rank			
	Profitability	Growth	Stock market	Industry survey page
National Fuel Gas	859	832	675	209
National Gypsum	632	457	432	234
National Kinney	1029	979	757	156
Natl Medical Entrprs	389	160	5	130
Natl Semiconductor	160	120	549	140
National Svc Inds	318	586	381	156
National-Standard	852	732	743	192
National Steel	947	890	953	190
National Tea	996	1004	707	230
Nationwide	844	482	265	127
Natomas	96	80	35	76, 213
NCNB	629	679	667	118
NCR	329	36	243	250
New England Electric	729	787	755	217
New England G & E	627	726	738	217
N Y State Elec & Gas	742	809	858	217
New York Times	486	488	266	253
Newmont Mining	569	780	331	239
Niagara Frontier Services	115	201	610	230
Niagara Mohawk Power	844	878	857	217
NICOR	485	698	449	209
A C Nielsen	252	381	555	253
NL Industries	779	759	79	159
NLT	800	620	678	127
NN	233	71	37	127
Norfolk & Western Ry	721	275	412	92
Norris Industries	275	468	311	234
North American Coal	411	278	336	76
North Amer Philips	566	408	483	140
Northeast Utilities	883	920	897	217
No Indiana Pub Svc	862	924	990	209
No States Power	717	845	904	217
Northern Trust	829	762	785	118
Northrop	106	74	113	135
Northwest Airlines	926	737	721	144
Northwest Bancorp	517	547	727	118
Northwest Energy	390	590	190	209
Northwest Industries	240	250	373	156
Northwestern Steel	796	901	912	192
Norton	465	331	162	148
Norton Simon	591	695	914	206
Nucor	25	73	14	192
NVF	607	653	71	192, 238
Occidental Petroleum	50	128	306	76
Ogden	353	418	224	156
Ohio Casualty	93	221	484	127
Ohio Edison	849	918	943	217
Oklahoma Gas & Elec	839	910	1002	217
Oklahoma Natural Gas	192	300	275	209
Old Republic Intl	20	49	394	127
Olin	818	69	672	159
Olympia Brewing	917	630	1005	216
Outboard Marine	928	941	1022	227
Outlet	803	671	181	255
Owens-Corning Fbrgls	332	229	631	234
Owens-Illinois	811	619	795	242
Pabst Brewing	953	937	964	216
PACCAR	99	151	262	71
Pac Gamble Robinson	787	838	936	232
Pacific Gas & Elec	824	873	816	217
Pacific Lighting	800	763	706	209
Pacific Pwr & Lt	781	869	794	217
Pacific Resources	195	133	116	76
Paine Webber	558	367	157	103
Pamida	970	958	826	246

Company	Rank			
	Profitability	Growth	Stock market	Industry survey page
Pan Am World Airways	959	**	827	144
Panhandle Eastern	328	567	203	209
Parker Drilling	100	89	22	203
Parker-Hannifin	362	490	337	148
Parker Pen	77	98	106	227
Parsons	36	81	24	203
Pay Less Drug NW	246	285	293	248
Pay'n Save	367	340	802	248
Peabody Intl	600	400	209	148
Peavey	721	775	472	223
Penn Central	**	**	**	156
Penn-Dixie Inds	1024	979	993	234
Penn Traffic	477	421	516	230
PennCorp Financial	787	302	145	127
J C Penney	777	760	1021	246
Pa Power & Light	748	862	885	217
Pennwalt	620	447	798	198
Pennzoil	52	218	135	76
Peoples Drug Stores	626	234	214	248
Peoples Energy	521	690	355	209
PepsiCo	179	343	781	216
Perini	922	278	132	203
Perkin-Elmer	424	293	219	140
Petrie Stores	47	257	863	248
Petrolane	113	247	112	76
Pettibone	751	515	488	152
Pfizer	363	608	522	244
Phelps Dodge	961	948	767	238
Phila Electric	884	906	894	217
Philadelphia Natl	767	800	684	118
Philip Morris	140	241	525	97
Phillips Petroleum	185	202	389	76
Phillips-Van Heusen	966	788	609	200
Piedmont Aviation	154	263	102	144
Pillsbury	431	378	824	206
Pioneer	28	130	121	209
Pioneer Hi-Bred Intl	97	190	302	223
Pitney Bowes	257	77	320	252
Pittsburgh National	615	642	584	118
Pittston	656	904	869	76
Playboy Enterprises	944	925	108	253
Pneumo	549	31	167	230
Polaroid	876	615	884	227
H K Porter	605	97	332	148
Portland Genl Llec	931	949	944	217
Potlatch	495	374	542	241
Potomac Elec Power	813	817	763	217
PPG Industries	596	485	550	159, 234
Procter & Gamble	268	548	906	86, 187
Provident Life & Acc	314	312	485	127
Public Service Colo	894	931	921	217
Public Service Indiana	527	702	959	217
Pub Svc Elec & Gas	806	839	803	217
Pueblo International	992	979	546	230
Purex Industries	534	691	815	86
Purolator	674	892	790	73
Quaker Oats	449	407	772	206
Quaker State Oil	607	851	583	76
Questor	982	932	473	73
Rainier Bancorp	534	365	464	118
Ralston Purina	416	516	977	206
Ramada Inns	939	898	397	227
Rapid-American	696	**	138	200, 246
Rath Packing	1033	1004	639	223
Raychem	558	150	273	138

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth. **Stock market:** 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Raymond Intl	347	148	225	203
Raytheon	157	170	133	135, 140, 156
RCA	365	134	527	112, 159, 255
Reeves Brothers	577	334	360	200
Reichhold Chemicals	941	929	751	198
Reliance Group	1	**	25	112
Republic Airlines	776	817	268	144
Republic Finl Svcs	243	353	174	127
Republic Natl Life	461	432	49	127
Republic New York	231	427	110	118
Republic of Texas	426	435	558	118
Republic Steel	968	904	830	190
Resorts Intl	12	8	1	227
Revco D S	196	191	441	248
Revere Copper	831	**	462	238
Revlon	176	295	681	187
Rexnord	392	373	451	148
R J Reynolds Inds	230	657	588	97
Reynolds Metals	681	187	541	84
Richardson-Merrell	557	633	587	244
Riegel Textile	541	297	528	200
Rite Aid	210	179	395	248
RLC	37	2	57	213
Roadway Express	168	430	838	213
Robertshaw Controls	880	723	605	138
H H Robertson	633	578	408	234
A H Robins	438	697	873	244
Rochester Gas & Elec	852	829	832	217
Rockwell Intl	486	617	199	135, 156
Rohm & Haas	886	854	852	198
Rohr Industries	998	979	276	135
Rollins	187	506	463	159
Roper Corp	777	288	617	86
Rose's Stores	727	318	407	246
Royal Crown Cos	538	843	962	216
Ruddick	593	51	205	230
Ryan Homes	266	530	664	203
Ryder System	162	43	182	213
Safeco	248	136	615	127
Safeway Stores	624	810	975	230
Saga	701	771	783	248
St Joe Minerals	525	823	420	76, 239
St Louis-San Fran Ry	925	451	127	92
St Paul Companies	158	222	711	127
St Regis Paper	743	731	807	241
Sambo's Restaurants	1028	979	1023	227
San Diego Gas & Elec	834	873	748	217
Santa Fe Industries	868	458	239	92
Santa Fe Intl	304	177	64	203
Savannah Foods	990	968	553	223
Savin	7	7	176	252
Saxon Industries	967	805	406	242
Schering-Plough	121	462	966	244
Jos Schlitz Brewing	999	976	1018	216
Schlumberger	26	56	94	140
SCM	800	196	358	156
SCOA Industries	48	15	89	200, 248
Scot Lad Foods	1003	979	831	232
Scott & Fetzer	239	602	679	156
Scott Paper	818	562	613	86, 241
Scovill	383	52	654	86
Seaboard Allied Milling	568	271	251	223
Seafirst	486	501	595	118
Seagram	847	626	357	216
G D Searle	651	923	566	130
Sears Roebuck	775	780	1015	112, 246
Seatrain Lines	1026	1004	505	213
Seaway Food Town	422	338	423	230
Security Pacific	517	393	383	118
SEDCO	575	542	78	203
Service Merchandise	22	33	208	248
Shaklee	9	38	84	130
Shearson Loeb Rhoades	19	17	7	103
Shell Oil	377	313	117	76
Sheller-Globe	779	863	997	73
Sherwin-Williams	979	959	720	234
Shopwell	980	401	156	230
Sigmor	269	523	120	76
Signal Companies	545	256	95	71, 156
Signode	492	556	658	148
Singer	932	**	629	86, 156
Skyline	833	935	910	227
A O Smith	877	124	528	73
Smith International	198	169	166	152
SmithKline	21	155	105	244
Snap-On Tools	83	228	632	73
Sonoco Products	392	315	498	242
So Carolina E & G	773	859	877	217
Southeast Banking	810	817	534	118
Southern Calif Edison	770	777	694	217
Southern Company	866	909	931	217
So Natural Resources	316	483	247	209
So New England Tel	838	771	814	225
Southern Pacific	952	758	614	92
Southern Railway	692	500	538	92
Southern Union	361	705	354	209
Southland	479	402	722	230
Southwest Forest Inds	729	434	221	234, 241
Southwestern Pub Svc	292	701	845	217
Sperry	556	433	593	159, 250
Sperry & Hutchinson	873	880	346	159
Springs Mills	935	474	582	200
Square D	115	528	585	138
Squibb	528	728	923	244
A E Staley Mfg	512	557	367	223
Stanadyne	399	595	344	148
Standard Brands	473	693	967	206
Standard Oil Calif	358	471	206	76
Standard Oil Indiana	315	391	170	76
Standard Oil Ohio	30	39	114	76
Stanley Works	502	452	327	86
Stauffer Chemical	309	420	788	198
Sterling Drug	464	784	686	244
J P Stevens	910	347	725	200
Stewart-Warner	609	654	561	148
Stokely-Van Camp	937	850	687	206
Stone Container	509	576	390	242
Stop & Shop	768	709	892	230
Storage Technology	49	25	28	250
Strawbridge & Clothier	874	682	688	246
Subaru of America	2	10	9	71
Suburban Propane Gas	497	598	368	76
Sun Chemical	119	24	87	198
Sun Company	265	314	177	76
Sunbeam	688	657	862	86
Sundstrand	200	122	67	148
Super Food Services	540	527	461	232
Super Valu Stores	58	140	126	232
Superior Oil	33	162	55	76
Supermarkets General	273	168	244	230

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

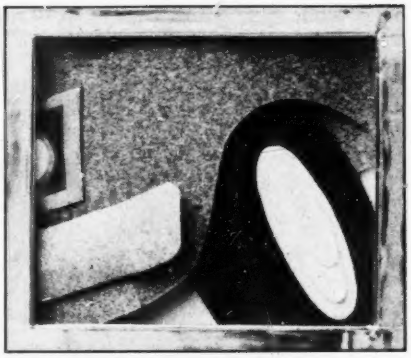
Where to find the company

	Rank			
Company	**Profitability**	**Growth**	**Stock market**	**Industry survey page**
Sybron	796	798	859	156
Sysco	408	387	213	232
Talley Industries	981	965	822	86
Tampa Electric	611	712	811	217
Tandy	6	23	45	227, 248
Tecumseh Products	310	509	370	148
Tektronix	272	123	249	140
Teledyne	15	22	11	140, 156
Tenneco	404	677	447	76, 156, 209
Tesoro Petroleum	380	938	467	76
Texaco	621	827	434	76
Texas Commerce Bshs	336	385	526	118
Texas Eastern	384	561	256	209
Texas Gas Transmn	435	589	263	209
Texas Instruments	269	293	597	140
Texas Oil & Gas	46	72	10	76
Texas Utilities	669	799	909	217
Texasgulf	505	743	379	239
Textron	451	629	603	156
Thiokol	311	292	83	135, 198
Thriftimart	710	**	137	230
Thrifty Corp	721	679	477	248
Tiger International	692	709	517	144
Time Inc	388	289	479	253
Times Mirror	216	259	347	253
Timken	591	613	482	148
Todd Shipyards	117	**	60	135
Toledo Edison	792	912	980	217
Toro	574	646	248	86
Tosco	3	13	8	76
Toys "R" Us	43	**	**	248
Trane	669	465	313	234
Trans Union	345	539	442	152
Trans World	940	**	271	144
Transamerica	323	182	353	112, 156
Transco Companies	377	554	44	209
Transway Intl	336	606	578	213
Travelers	441	269	535	127
Trinity Industries	73	175	34	148
TRW	234	425	382	156
Turner Construction	396	740	257	203
Twentieth Century-Fox	94	46	93	227
Tyler	191	348	267	148
Tyson Foods	193	86	150	223
U S Air	170	3	136	144
UAL	923	383	969	144
UMC Industries	757	848	739	148
Union Camp	287	404	773	241
Union Carbide	600	707	896	159, 198
Union Electric	746	820	889	217
Union Oil California	387	536	109	76
Union Pacific	665	227	148	92
Uniroyal	1019	979	960	73
United Brands	983	**	251	206
United Energy Resources	72	37	46	209
United Merch & Mfrs	1027	979	1026	200
United Refining	409	371	194	76
U S Bancorp	369	414	418	118
U S Fidelity & Gty	80	95	413	127
United States Filter	867	194	188	203
United States Gypsum	459	305	427	234
U S Home	214	137	70	203
U S Industries	932	914	386	156
United States Shoe	375	341	548	200
United States Steel	1001	977	1006	190
United Technologies	312	163	295	135, 156

	Rank			
Company	**Profitability**	**Growth**	**Stock market**	**Industry survey page**
United Telecom	359	674	727	225
Univar	744	846	696	232
Universal Foods	356	419	643	206
Universal Leaf	360	306	200	232
Upjohn	205	367	575	244
USLIFE	444	596	494	127
Utah Power & Light	828	873	708	217
Valero Energy	846	**	**	76
Valley Natl Bk Ariz	428	441	445	118
Varian Associates	924	140	338	140
VF	425	667	733	200
Va Electric & Power	890	913	941	217
Vornado	1002	979	211	246
Vulcan Materials	172	269	260	159
Wachovia	628	624	915	118
Wal-Mart Stores	35	61	152	246
Waldbaum	636	480	294	230
Walgreen	457	323	221	248
Wallace-Murray	321	157	202	148
Wang Laboratories	64	42	2	250
Ward Foods	1025	1004	630	206
Warnaco	971	957	421	200
Warner Communications	34	60	59	227
Warner-Lambert	604	841	1012	244
Washington Gas Light	916	815	705	209
Washington National	774	669	193	127
Washington Post	76	82	142	253
Waste Management	227	108	16	148
Del E Webb	831	505	299	203, 227
Weis Markets	227	362	359	230
Wells Fargo	550	411	521	118
West Point-Pepperell	796	438	714	200
Western Air Lines	613	663	888	144
Western Bancorp	529	464	321	118
Western Union	977	883	511	225
Westinghouse Electric	622	350	326	138, 159
Westmoreland Coal	921	952	983	76
Westvaco	544	370	536	241
Wetterau	435	670	661	232
Weyerhaeuser	368	552	850	234, 241
Wheelabrator-Frye	357	210	233	148
Wheeling-Pitts Steel	985	960	653	192
Whirlpool	341	600	917	86
White Consolidated	386	633	639	156
White Motor	1009	1004	1025	71
Whittaker	406	16	26	156
Wickes Companies	729	258	429	248
WICOR	757	775	789	209
Willamette Inds	273	450	486	234, 241
Williams Companies	885	926	480	198
Winn-Dixie Stores	221	572	806	230
Wisconsin Elec Power	764	752	957	217
Wisconsin Pwr & Lt	720	790	842	217
Wisconsin Public Svc	636	720	813	217
Witco Chemical	342	429	333	198
F W Woolworth	746	623	771	246
Wm Wrigley Jr	403	673	837	206
Wyman-Gordon	250	188	103	135
Xerox	302	575	669	252
Yellow Freight System	289	654	1019	213
Zale	762	694	682	248
Zapata	938	897	54	156
Zayre	862	469	214	246
Zenith Radio	936	951	883	86
Zurn Industries	421	233	341	148

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

More than economics is involved in the progressive decline of the U.S. auto industry.



Autos and trucks

By the Editors of Forbes

IT WOULD TAKE A POET, A HOMER, to describe adequately the shattering decline of Detroit, of the automobile industry. Drama abounds, as does irony. America invented the mass-production auto industry, rode it to unprecedented prosperity and personal freedom and excelled in its technique. Suddenly, in a motor-car sense, we are an underdeveloped country, seeking knowhow and even money from abroad.

What better symbol of that decline than Ford's advertising campaign for its fuel-thrifty, subcompact Escort, "a new car with better ideas from around the world"?

It's chic now to blame it all on the auto companies. Weren't they shortsighted in sticking to big cars for so long? How Americans love a scapegoat. But in a thoughtful article in November's *Harper's* magazine, William Tucker said otherwise. Both Ford and GM, he showed, made repeated attempts to design and sell small cars only to have them rejected by the public. The real villain, he says, is Congress, which enabled the public to indulge its taste for big cars by refusing to let gasoline prices rise to world levels of $2.50 or so a gallon. Quite a picture: Congress pandering to the voters who refused to buy small cars and then blaming the whole mess on the auto companies. In contrast, the *Harper's* article put the blame right where it belongs: on the self-indulgent American.

It's good to see an intellectual magazine buck the tide of antibusiness thinking and look the facts squarely in the face. It's a step in the right direction. But it would be no more right for business to sit back and blame the public than for the public to sit back and blame business. There is blame enough for everyone. As a business magazine, FORBES must concede that some of the mistakes grew out of inherent weaknesses in the U.S. business system.

Good business management tries to anticipate the future and is willing to make major investments, even take losses, in order to position itself for the future. Detroit should have known that the American public, in sticking to 65-cent gasoline, was only postponing the inevitable. Detroit—or at least General Motors and Ford—should have known better.

Look at the Yardsticks. Over the past five years, which should have been years of building for the future, GM kept its profits high, earning on average a 15% return on invested capital, compared to an all-industry median of 11%. Nothing wrong with that; but what did GM do with the money? In 1977 it paid a dividend that represented a return of nearly 13% on its stockholders' equity; even in 1979 when the handwriting was all over the wall, it paid out over half its earnings. During most of the Seventies GM's capital spending rarely exceeded its annual cash flow from depreciation. General Motors was in no sense building for the future.

So, there is plenty of blame to go around. The public was self-indulgent. Congress pandered to the public. The auto companies shrugged their shoulders and raked in the profits. Now, the U.S.' largest industry faces tragedy. Hundreds of thousands

See no evil? Speak no good

In the pervasive malaise that afflicts the economy and indeed the country, the news media itself may be part of the problem. The editors who select the news, the desk people who write the headlines and the television personalities who decide what most Americans are going to notice—most of them seem afflicted with a curious bias. Anything *bad* about the U.S. economy and U.S. business is news; anything *good* isn't news, or so it seems. This was brought home to us in mid-December when the Department of Transportation issued a buyers' guide on automobiles. Our bureaucrats are forever issuing reports of every variety, most of them critical of U.S. business. But this particular report was a bit different: Most of its contents were favorable to the hard-pressed U.S. automobile industry.

So how did the news media treat the report? In some cases they ignored it. In other cases they described the report but avoided comment on the contents, even though the contents virtually trumpeted the news that the new U.S. small cars were far safer than almost all of the imported small cars. Only toward the very end of a story carried on page 18 of its main section did the *New York Times* get around to mentioning the general superiority of the U.S. cars. It's interesting to speculate how the press would have played the report had it called *American* cars unsafe. Screaming headlines probably. Alas, self-criticism is one thing; self-hatred is something else again.

In the Department of Transportation report only one foreign car in the compact or subcompact class passed the crash test (the Fiat Strada; a few other models were not rated), and *every* American-made compact or subcompact car passed. Perhaps for this reason, only American-made compacts or subcompacts were entitled to insurance discounts; many of the foreign cars were subject to surcharges.

Several editors we talked with said the report wasn't really news; its contents had leaked earlier. Maybe so, but isn't publication of the report itself news? Aren't the virtues of American industry worth as much space as the sins of American industry? Certainly not in television's case—and the print media aren't much better.

Remember *Unsafe At Any Speed?* The publicity that Ralph Nader got? Why isn't it equally newsworthy if American cars are now the safest in the world? We're in the news business ourselves and *we* don't know the answer, but we think it's one hell of a question.

of jobs have been lost forever. Chrysler is a ward of the government. Ford is looking for foreign partners. General Motors is having to spend tens of billions to make up for the lapses of the past decade. The biggest tragedy is human: Even if the U.S. companies succeed in rolling car imports back to, say, 20% or so, millions of jobs will have vanished. The new small American cars are world cars; they contain many components that are built abroad. Chrysler's Omnis and Horizons have Volkswagen engines. Ford's new Escort has power rack-and-pinion steering from West Germany. General Motors' new J-cars will have transaxles from Japan and engines from Brazil.

The last car rolls off the line in Mahwah, N.J.
One of five Ford plants that may not reopen.

The notion that the energy crisis was solely the creation of the oil companies and therefore could be legislated away with price controls and bureaucratic allocations will probably be remembered as one of our more extraordinary popular delusions, on a par with the Ponzi swindle in the Twenties, the send-a-dime mail pyramid schemes in the Thirties and flying saucers in the Fifties. But it was no joke. Every jobless autoworker owes his plight to that delusion.

Detroit's self-inflicted wounds—the industry's staying too long with big cars, where the big profit was—are themselves symptomatic of a larger problem. It is a common myopia in corporate America to focus on next year's—next quarter's—bottom line. Next quarter's bottom line projected five years out passes all too often for long-term thinking. That's fine as long as everything's constant. But what happens when a company has to change direction 90 degrees during the fourth year and had damn well better get started now? That's exactly what is happening to the auto industry.

Benjamin Tregoe, one of the principals of the consulting firm of Kepner-Tregoe, sums up such disastrous thinking, and not only for the auto industry: "In the U.S.," he has written in a recent book, *Top Management Strategy*, "strong operations historically have been more important than clear strategic thinking. . . . After all, with unlimited resources, skilled labor, a large, homogeneous market and worldwide demand for U.S. products, who needed to think much about what kind of a business they wanted to be in in the future?" So OPEC made the decision for them.

The questions we ask in attending to the woes of the auto industry, the public ones in Washington and the private ones in Detroit—and the ways we answer them—will augur the future for the rest of the economy. They will tell us what we are going to do to, or for, ourselves. Protectionism to shut out the world? Billion-dollar bailouts from Washington to make us another Great Britain? Or cooperative public-private reorganizations as needed, à la Franklin National Bank? Still more regulatory burdens from Washington without regard to jobs and productivity? Or less? A fundamental rethinking of the way much of U.S. business plans for itself? Or more of the same, again?

The Reagan landslide suggests a readiness to change directions. But wishing won't make the change happen. More is at stake than the fact that the auto industry, directly or indirectly, creates jobs for one in five workers. More than the fact that it consumes 17% of the nation's production of aluminum, 25% of its steel and 60% of its synthetic rubber.

The very industrial heartland lives in a symbiotic relationship with the auto industry. If one shrinks, so does the other.

Has America lost its vigor? Can it get its act together? Can our business system adapt? Such thoughts come unbidden these days. Is there a poet in the house? A visionary with the strength to act on his vision?

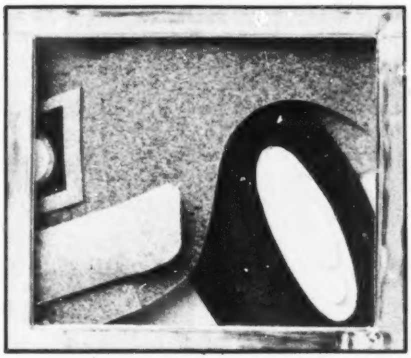
Autos and trucks

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Subaru of America	76.8%	**1**	58.5%	0.0	58.2%	**1**	73.2%	2.2%	46.9%	**1**	87.0%	**1**
PACCAR	25.3	**2**	20.2	0.0	19.1	**2**	23.2	5.5	17.1	**3**	25.0	**3**
Hyster	21.1	**3**	16.3	0.2	14.1	**3**	17.0	7.1	13.7	**7**	27.6	**2**
Caterpillar Tractor	20.1	**4**	14.6	0.3	11.8	**5**	15.0	5.7	14.6	**6**	13.9	**6**
Deere	16.9	**5**	11.2	0.3	9.3	**6**	13.3	4.2	15.8	**5**	12.9	**7**
General Motors	16.7	**6**	def	0.0	def	**4**	15.1	def	12.3	**9**	7.1	**11**
Clark Equipment	15.3	**7**	10.0	0.2	8.4	**7**	11.7	3.7	6.0	**13**	11.2	**8**
Fruehauf	15.1	**8**	7.5	0.7	6.0	**9**	9.7	1.8	19.4	**2**	14.4	**5**
Signal Companies	14.9	**9**	13.9	0.4	10.3	**8**	10.7	3.9	17.1	**3**	19.6	**4**
Ford Motor	11.5	**10**	def	0.1	def	**10**	9.6	def	12.1	**10**	7.8	**9**
Intl Harvester	8.5	**11**	def	0.4	def	**11**	6.6	def	9.5	**11**	7.7	**10**
White Motor	def	**12**	def	0.4	def	**12**	0.7	def	1.1	**15**	D–D	**15**
American Motors	def	**13**	def	0.1	def	**14**	def	def	8.4	**12**	P–D	**12**
Massey-Ferguson	def	**14**	def	1.1	def	**13**	def	def	12.8	**8**	P–D	**12**
Chrysler	def	**15**	def	0.7	def	**15**	def	def	5.3	**14**	P–D	**12**
Industry medians	**15.1**		**7.5**	**0.3**	**6.0**		**10.7**	**1.8**	**12.8**		**11.2**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. D-D: deficit to deficit. def: deficit

The automakers are hard hit by the slump in new car sales but the parts manufacturers are twice cursed: by a decline in replacement parts as well as in original equipment.



Auto suppliers

LAST YEAR ONE OF THE AUTO INDUSTRY's rules of thumb was severed and left on the factory floor. Stunned industry officials learned that the replacement parts market is not countercyclical to the new car market. It was quite a shock. The conventional wisdom of the Seventies was that unemployed workers would fix up their old heaps and spend their spare time and unemployment benefits driving around the countryside. Confident in their belief, Bendix, Dana and others bought up replacement parts companies to counterbalance their original equipment business. But in 1980 the family car stayed in the driveway unused and unrepaired.

Even so, the replacement parts market—aftermarket in industry jargon—was better than the original equipment market, and the corporate results showed it. Companies like Eaton and A.O. Smith, with relatively slight replacement sales, racked up sickening declines of 50% or more in automotive earnings, while TRW and Bendix, with sizable aftermarket sales, held the drop to a more reasonable 20%. So the big question for 1981: Will the $70 billion aftermarket regain its strength, never mind what happens to the fortunes of Detroit itself?

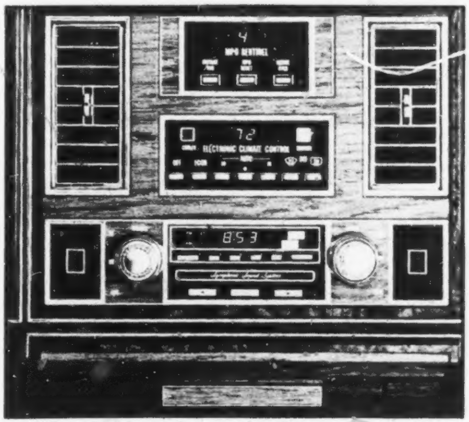
Only a bitter winter can clear up the bleak picture. The slicker the streets, the higher the number of brake jobs. The lower the temperatures, the higher the sales of batteries, cables and other electrical parts.

Cold winter temperatures and hot interest rates are only two of the less complex variables in the aftermarket equation. Econometric modeling of the replacement parts market in 1981 makes the National Weather Service's job look easy. Quips Mason Reynolds, the affable president of Bendix' automotive group, "Auto industry forecasts are an art and a science. It is important to spot when there's too much art and not

Technological advantage

For the auto component suppliers, Detroit's frantic move to smaller cars is more than a volume cruncher. Radically different products are now in demand, and the partsmakers are having to develop and master new technologies to keep up with Detroit's shift from gas guzzler to gas sipper. Some companies are meeting the changes, others are losing the race.

Contrast the performances of Bendix and TRW, for instance.



Cadillac dashboard monitors Eaton components

TRW is now profiting from its foresight over the past ten years in emphasizing the small components it sold in Europe. When Detroit switched to a clone of the Continental car, TRW's rack-and-pinion steering was an obvious replacement for bulkier American versions. A few years ago, such steering systems were installed in only about 30% of new domestic cars, Pintos, for example. By 1983, TRW Executive Vice President Charles Ohly predicts, 80% of American cars will have them. TRW has a lock on Ford's steering business and contracts from European and Japanese assemblers. Under the hood the new cars, domestic and foreign, are all starting to look alike.

Last year TRW's original equipment business was off 10%, only half as much as the industry. This year, Charles Ohly claims, the company's sales will be up as much as 20%, *vs.* perhaps 10% for the industry as a whole.

TRW's gain is Bendix' loss. Ford traditionally bought about 50% of Bendix' $1 billion original equipment output. But now some Bendix products are technologically obsolete. "After 20 years," says Mason Reynolds, group president, "linkage power steering died over the last year." Bendix' move into disc brakes, besides its traditional drum brakes, should help offset the loss, but only partly. This slippage, apparently permanent, explains why Bendix is so anxious to diversify and why its chairman, William M. Agee, put aside $800 million last year to buy a high-technology company.

TRW has long been in high technology. Rival Eaton Corp. made the high technology jump with the 1978 acquisition of Cutler-Hammer, a merger that is already paying off. Using Cutler-Hammer's expertise, Eaton is now in the auto electronics business with new components for Cadillac's innovative variable-cylinder engine. Notes Eaton President James Stover, "A viable vendor must have an electronics technology capability."

For companies like A.O. Smith of Milwaukee, it's too late. Once a supplier of big car chassis for General Motors, Smith expects its automotive business to drop by as much as 75% next year. With two-thirds of its $700 million in sales tied to the automotive chassis business, Smith is in real trouble. CEO Lloyd B. Smith spent all of last year desperately looking for an answer, but he hasn't found one. Meanwhile sales dropped 60% and operations were in the red in late 1980. By the time Smith comes up with a rescue plan, it may not matter. In our highly competitive economy, executives can't just sit and clip their coupons.—L.M.

enough science. Often they only represent a detached abstraction of the obsolete, but are claimed to be gospel." A nice way of saying: "They don't know, and I'm not sure either."

The fact is that the energy crisis may have fundamentally transformed the auto parts market. Will Americans get back into their autos and run up the odometer? Cars are more efficient and fuel is abundant, yet miles driven declined each of the past three years. The best guess—a 1% increase annually for the next few years, far off the lucrative 4% pace of the embargo-free years of the Seventies when gasoline was still quite cheap.

Will owners spend more money to keep their cars running? Industry optimists insist that the increased age and size of the vehicle fleet counts more than the decline in miles traveled. While they have a point—the average car age is more than 6.5 years, and rising fast—small cars of recent vintage require less maintenance. Fewer cylinders using cleaner-burning unleaded gasoline mean fewer tune-ups. That's why there's no waiting at your local garage.

While auto component sales depend on the weather, the truck parts business—33% of the total in good years—depends on cannibals. As highway shipping volumes declined last year, replacement parts came from cannibalized vehicles parked along the fence, explains James Stover, Eaton's president. Cannibalized truck fleets were the curse of 1980 but promise to be the blessing of 1981 for component makers: When the economy began heating up, Eaton's 11 emergency parts centers shifted into overdrive to salvage dismantled rigs. But that is a boomlet in a declining market.

Once 25% of Eaton's total truck component volume went to the aftermarket, but that rate halved in the last few years and is heading for 10%. New technology is shrinking the replacement market—Eaton axles now last 4 times longer and new transmissions will outlive the truck body *(see box, p. 73)*.

With the aftermarket sputtering and a bleak forecast of new car and truck volumes, there's only one way for the component suppliers to make money. Unfortunately, that means unemployment ranks won't thin out as fast as most people think.

Eaton and Borg-Warner won't be welcoming back all those laid-off factory and office workers. An army of robots will replace some laid-off UAW troops, one squad at a time. About one-third of Eaton's 13,000-person worldwide transportation work force was out last fall, and Stover says they won't all be coming back. A full-time robot implementation expert is now on staff at Borg-Warner, says Vice President F.E. (Bud) Pilling. "We're tooling up more efficiently." To reduce its exposure, Borg-Warner will subcontract more transmission subassemblies. Nothing like a recession to find out where the fat is.—**Larry Marion**

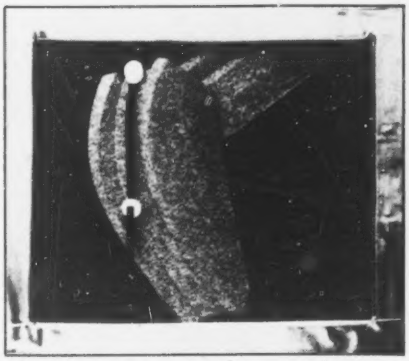
Auto suppliers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Tire and rubber												
Genl Tire & Rubber	10.9%	**1**	2.6%	0.3	2.8%	**1**	8.3%	1.2%	9.3%	**3**	6.1%	**2**
Goodyear	8.7	**2**	7.9	0.6	6.5	**2**	6.9	2.1	9.6	**2**	0.2	**3**
B F Goodrich	6.7	**3**	5.7	0.4	5.2	**3**	5.9	1.8	9.2	**4**	6.5	**1**
Armstrong Rubber	4.6	**4**	def	0.7	def	**4**	4.2	def	9.9	**1**	–4.2	**4**
Firestone	0.6	**5**	def	0.4	def	**5**	1.8	def	8.4	**5**	–44.1	**5**
Uniroyal	def	**6**	def	1.1	def	**6**	def	def	4.4	**6**	P–D	**6**
Medians	**5.7**		**def**	**0.5**	**0.2**		**5.1**	**def**	**9.3**		**–2.0**	
Partsmakers												
Snap-On Tools	25.9%	**1**	23.4%	0.2	20.7%	**1**	21.8%	9.8%	19.2%	**1**	21.0%	**5**
Hoover Universal	22.8	**2**	11.8	0.4	8.9	**3**	17.7	3.1	15.3	**7**	17.1	**7**
Genuine Parts	21.1	**3**	20.6	0.0	19.7	**2**	20.9	4.7	17.0	**4**	15.8	**10**
Federal-Mogul	19.3	**4**	16.5	0.2	13.8	**5**	14.8	5.2	12.0	**12**	27.2	**1**
Dana	19.1	**5**	10.5	0.3	8.7	**6**	14.7	3.8	18.3	**2**	16.4	**8**
Arvin Industries	18.9	**6**	5.9	0.5	5.5	**10**	12.3	2.3	12.9	**11**	25.5	**3**
Barnes Group	18.9	**7**	19.5	0.3	15.2	**4**	15.0	5.6	15.4	**6**	20.7	**6**
Echlin Manufacturing	18.2	**8**	6.2	0.3	6.0	**7**	13.7	2.9	17.0	**5**	12.8	**13**
Eaton	16.6	**9**	14.0	0.6	9.4	**13**	10.8	3.8	13.3	**10**	11.7	**14**
Bendix	15.9	**10**	17.0	0.4	15.1	**9**	13.0	5.0	10.5	**17**	15.5	**11**
Cummins Engine	14.9	**11**	def	0.4	0.1	**15**	10.2	def	17.2	**3**	21.5	**4**
Champion Spark Plug	14.7	**12**	10.9	0.1	10.1	**8**	13.5	5.5	11.0	**15**	2.6	**17**
Easco	14.4	**13**	4.3	0.6	4.4	**16**	10.0	1.0	13.7	**9**	5.2	**15**
Borg-Warner	13.6	**14**	11.9	0.1	11.1	**11**	12.1	4.9	[illegible]	**18**	15.2	**12**
Allen Group	13.5	**15**	12.5	0.6	8.8	**17**	9.4	2.6	[illegible]	**14**	16.2	**9**
Purolator	13.2	**16**	10.7	0.4	8.7	**14**	10.5	2.1	[illegible]	**16**	0.4	**19**
Libbey-Owens-Ford	12.8	**17**	5.0	0.3	4.9	**12**	11.0	2.4	[illegible]	**13**	4.0	**16**
Sheller-Globe	11.9	**18**	def	0.6	0.1	**19**	7.7	def	14.4	**8**	2.5	**18**
A O Smith	10.2	**19**	def	0.2	def	**18**	7.9	def	7.4	**19**	26.7	**2**
Questor	3.9	**20**	def	0.5	1.7	**20**	4.0	0.0	4.9	**20**	–3.2	**20**
Medians	**15.4**		**10.8**	**0.4**	**8.8**		**12.2**	**3.0**	**13.1**		**15.7**	
Industry medians	**14.0**		**7.1**	**0.4**	**6.3**		**10.7**	**2.4**	**11.0**		**12.3**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

The end of oil price controls later this year may create nearly as many problems as it solves.



Energy

IF ALL GOES ACCORDING TO SCHEDULE—if there isn't a complete upheaval in the Middle East or some other unforeseen catastrophe that would call forth emergency measures—crude oil prices will be completely decontrolled by Oct. 1 of this year. That's a prospect that heartened free-marketers and conservationists, but it has one refinery executive considerably worried. As might be expected, the executive, from a large, independent refinery that reaps last benefit from federal controls, requested anonymity. This, even though he is a member of a newly formed Washington lobby called CEACO (for the Committee for Equitable Access to Crude Oil). Little wonder. Listen:

"The market," our executive says, "has been distorted by government controls for so many years that to take away controls and leave it as a free market would be to leave a sort of mutant. It would hobble along in a strange way. It wouldn't really be a free market at all because it has been carved and changed by controls for so long."

What does he want to do about that? You guessed it—continue some sort of controls. "We need some kind of mechanism to assure that the marketplace either approaches a point where it can be free or is controlled for the benefit of the consumers and the participants forever," says he. That's right. He said *forever*.

The problem is this: Oil price controls ultimately led to the entitlements program whereby companies with cheap oil—

The political factor

Economists don't understand OPEC, says Dr. Nazli Choucri, a professor of political science at MIT. They think it's simply a cartel, and it's not. Which is why it doesn't always act as cartels are supposed to act—to maximize profits, for instance. "A country cannot be treated like a firm," Choucri says. "The fact is that OPEC's member governments are not maximizing their profits, or they may be maximizing subject to political constraints." Members of OPEC, she insists, have political as well as economic motives, and economists simply do not give enough weight to them. Not only economists, but Western governments, which as a result sometimes fail to interpret correctly what OPEC is up to.

Professor Nazli Choucri of MIT

An Egyptian who earned her B.A. at the American University in Cairo and her M.A. and Ph.D. at Stanford, Choucri has been studying Third World politics for years. In a set of papers that made her reputation, she examines the politics of three early nonalignment leaders—Nehru, Sukarno and Nasser—for the purpose of separating what they really wanted to achieve as opposed to what they told their internal and external audiences they wanted to achieve. In the same context, she has since turned her attention to the international oil market and to OPEC, and her new book, *International Energy Futures—Petroleum, Prices and Payments*, will be published by MIT Press in February.

Well, what do the OPEC nations want besides more money? In a word, power—though Choucri would be the last to say that each nation has the same motives. The OPEC members, she says, want to be able to deal directly with Western governments, not just with oil companies; to win political support from poorer countries through charitable financial assistance (though, of course, at the same time practically bankrupting them with high oil prices), and simply to be able to confront the West on more equal terms. "There is politics going on," she says, "good old-fashioned power politics."

It is not surprising, then, that unlike many economists Choucri takes seriously OPEC members' oft-stated determination to get a piece of the refined products market. Economists insist that it wouldn't make economic sense for them to try to monopolize that market as well as the market for crude. Choucri, however, thinks they may believe it makes political sense to have at least a part of it.

"They are concerned," says she, "that sooner or later the West is going to react to its dependence on OPEC. It may impose huge taxes on imported oil or devise substitutes." Such a response could affect both their political and economic power. "What they want now," she believes, "is to talk with the West, to try to reduce their future uncertainty."

Meanwhile, action is an alternative to talk, and various OPEC members are building refineries both to supply their own needs—for internal political reasons and to gain experience—and, if the West doesn't maintain its own refining capabilities, to supply Western markets as well. With extensive refinery capacity, they could undercut refined products made from expensive syncrudes and grab a big piece of the market. Ultimately the West could find itself as dependent on OPEC for gasoline as it now is for crude oil, and its ability to counterattack would be reduced even more.

Whether this be politics or economics, it is clearly the pursuit of self-interest. Prudence dictates that the West follow the same course.—J.A.B.

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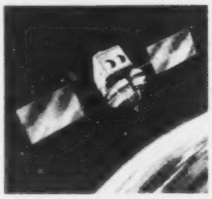

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generally price-controlled domestic oil—had to make payment to companies with expensive oil—generally OPEC-priced imported oil. So everybody's crude costs were more or less equalized. That program is now so extensive that half a billion dollars changes hands every month as the haves share their good fortune with the have-nots. At the Department of Energy, 600 people administer oil regulatory programs that have spun out of the entitlements program, and they fill more than three pages in the Federal Register each month to make clear who writes checks and who receives them and for how much. It's a real bonanza—for the bureaucrats. However, like any government tangle, this one creates its own constituency of supporters.

There are four very disparate groups of beneficiaries. First, there are the large independent (so called because they produce less than 30% of the crude they need) refiners like Pacific Resources, Ashland Oil and Clark Refining. Second, there are some of the major integrated companies, like SoCal, that are heavily dependent on foreign crude. Though they dislike the program, they do reap net benefits from it. Third, there are about 60 new, backyard-size refineries referred to in the industry as teapots or bias babies. These outfits sprang up specifically to take advantage of a provision known as the small refiner bias. The latter is designed to protect small refiners from the greater efficiency of the larger competitors. Most of the teapots are unsophisticated in that they can produce only heavy residual oil, a product that is not now in great demand.

It is hard to sympathize with businessmen who preach free enterprise and decontrol in philosophic terms, and then beg Washington for help with their own problems.

Finally, there are municipalities and nonenergy companies that can sell entitlements because they are using higher-cost alternative fuels. Los Angeles, for example, received an $80,000 check for just one month last year for converting sewage into energy instead of burning oil. Nestlé Co. is asking for similar treatment for burning tea leaves and coffee grounds at several of its plants.

It is hard to sympathize with businessmen who, after preaching free enterprise and decontrol in philosophic terms, turn around and petition Washington for help with their own problems. It's hypocrisy. In fairness, though, decontrol threatens the U.S. refining industry in a number of ways. For example, by assuring the U.S. refining industry of lower-cost feedstocks than were available elsewhere, in

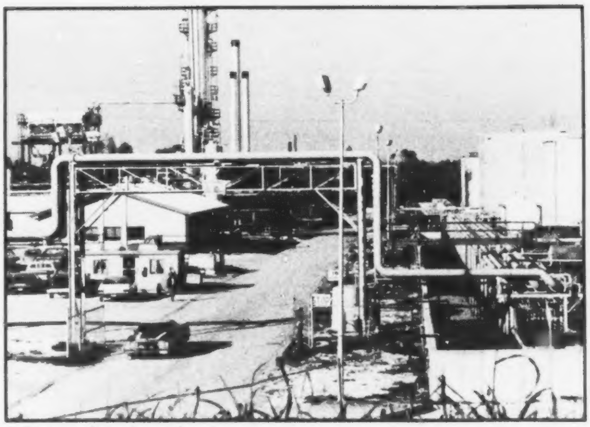
Europe or the Caribbean, say, price controls protected the refiners from cut-rate foreign competition and kept U.S. refineries operating at nearly full capacity at a time when the rest of the world was down to as little as 65%. Decontrol effectively ends that protection and the industry ultimately stands exposed to increasing competition from imported refined products—gasoline, naphtha, fuel oil—though a study completed recently by the National Petroleum Council concluded that isn't likely immediately.

Complicating the issue is the fact that the U.S. doesn't have the right refining capacity for its future needs—capacity that can turn the heavy, sour crudes, now more readily available than sweet crudes, into light products like gasoline. So there is a danger that sooner than spend the hundreds of millions needed to upgrade its domestic refineries, the U.S. could come to depend on the new refineries proposed for the Caribbean and those already abuilding in the Middle East. It's a long-term worry but a worry nonetheless.

So the golden question is: What will happen to all beneficiaries when decontrol wipes out the entitlements program? They have no intention, obviously, of leaving the matter to fate so long as there are congressmen and senators—to say nothing of a new Administration—to try to influence.

The independents probably won't press for *too* much. It's a little difficult to argue that their more successful rivals should be penalized for good judgment or accidents of history. Instead the indies will probably try to protect themselves against any new crisis that might develop—to prevent a recurrence of what happened in 1973 when they were sometimes forced to pay $12 per barrel of oil in the spot market when their integrated competitors were acquiring oil under long-term arrangements for $2 or $3. What they'll be asking for is standby controls to equalize the cost of oil in an emergency, when supplies might be tight. In an embargo, say, or a major war.

The major oil companies with domestic reserves—like Gulf and SoCal—see such measures basically as a means for independents to impose controls. Things have changed considerably since 1973, they argue. These days, foreign governments market perhaps 50% of the oil that moves in international trade, *vs.* 2% in 1973. So the independents already have equal access to much of the crude available. "The producing countries," scoffs Warren Davis, chief economist for Gulf Oil, "will deal with independents just as quickly as they'll deal with us,


A "teapot" in Louisiana

Can it survive without the small refiner bias?

Energy

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
International oils												
Occidental Petroleum	29.0%	**1**	54.0%	0.6	25.0%	**4**	14.0%	6.2%	15.0%	**7**	26.4%	**1**
Phillips Petroleum	21.7	**2**	25.8	0.2	20.5	**1**	16.5	8.7	17.9	**3**	22.6	**2**
Conoco	20.7	**3**	25.9	0.4	17.2	**2**	14.4	5.7	16.7	**6**	19.8	**3**
Exxon	17.9	**4**	25.3	0.2	18.6	**5**	13.8	5.7	17.2	**5**	10.1	**6**
Mobil	17.9	**5**	26.5	0.3	18.8	**6**	13.2	4.6	22.6	**1**	14.6	**4**
Standard Oil Calif	17.8	**6**	24.9	0.2	19.9	**3**	14.4	5.7	19.6	**2**	14.1	**5**
Texaco	13.9	**7**	21.5	0.3	15.4	**8**	10.4	4.6	17.8	**4**	4.0	**8**
Gulf Oil	13.6	**8**	16.9	0.2	13.8	**7**	11.4	5.2	13.9	**8**	9.5	**7**
Medians	**17.9**		**25.6**	**0.3**	**18.7**		**13.9**	**5.7**	**17.5**		**14.4**	
Other oil and gas												
Tosco	62.7%	**1**	49.6%	0.9	30.2%	**8**	18.2%	3.6%	46.1%	**3**	73.3%	**1**
Houston Oil & Minerals	53.1	**2**	27.4	1.1	10.4	**9**	17.5	20.2	65.9	**2**	44.1	**2**
Charter	47.3	**3**	25.6	0.8	16.2	**2**	24.6	3.8	30.9	**14**	41.6	**3**
Howell	37.7	**4**	34.7	0.0	32.0	**1**	25.0	7.4	32.9	**13**	25.0	**15**
Mitchell Enrgy & Dev	36.4	**5**	44.3	1.1	14.4	**29**	11.8	15.4	36.4	**8**	34.4	**8**
Standard Oil Ohio	31.9	**6**	58.1	1.0	26.2	**23**	13.4	17.2	27.3	**18**	39.8	**5**
Ashland Oil	31.7	**7**	21.2	0.5	12.7	**14**	16.0	2.5	17.1	**42**	27.3	**13**
Superior Oil	31.7	**8**	19.7	0.4	13.8	**32**	11.3	21.0	25.2	**19**	24.5	**17**
Dorchester Gas	30.7	**9**	36.3	0.7	19.7	**4**	19.8	5.7	66.5	**1**	33.9	**9**
Earth Resources	30.0	**10**	41.0	0.5	25.2	**6**	19.4	4.6	29.6	**15**	27.5	**12**
Texas Oil & Gas	29.9	**11**	36.7	0.7	16.4	**15**	15.4	11.9	44.9	**4**	32.4	**10**
Clark Oil & Refining	28.8	**12**	44.5	0.2	36.4	**5**	19.6	5.6	20.1	**30**	37.9	**6**
Pennzoil	28.8	**13**	37.5	0.7	19.2	**25**	12.9	12.5	19.3	**32**	21.6	**19**
MAPCO	28.0	**14**	25.6	0.7	13.3	**18**	14.3	9.2	28.5	**16**	19.8	**22**
Crown Central Petroleum	26.9	**15**	18.3	0.5	13.3	**13**	16.2	2.7	23.0	**22**	41.1	**4**

Note: Explanation of Yardsticks calculations on page 49.

Energy

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Holly Corp	26.8%	**16**	22.5%	0.3	18.5%	7	18.6%	2.2%	35.4%	**11**	34.8%	7
Louisiana Land	26.4	**17**	28.0	0.2	23.4	3	21.2	17.8	24.8	**20**	9.7	**38**
Kaneb Services	25.8	**18**	29.6	0.9	15.1	**19**	14.2	14.9	36.1	**10**	16.7	**27**
Natomas	25.6	**19**	29.7	0.6	20.1	**12**	16.8	15.5	40.1	5	31.4	**11**
Petrolane	24.5	**20**	25.4	0.5	17.3	**11**	17.0	5.2	21.0	**27**	19.9	**21**
Belco Petroleum	22.4	**21**	22.5	0.1	18.2	**10**	17.2	9.8	21.9	**23**	23.6	**18**
Pacific Resources	21.5	**22**	26.6	0.9	14.0	**33**	11.1	2.8	33.0	**12**	26.2	**14**
Amerada Hess	21.0	**23**	29.0	0.4	20.5	**16**	15.0	7.1	19.2	**33**	15.9	**28**
Sun Company	19.5	**24**	25.2	0.2	18.1	**22**	13.6	7.5	24.1	**21**	17.1	**25**
Sigmor	19.4	**25**	22.7	0.6	16.1	**17**	14.6	2.3	37.7	7	12.8	**33**
Atlantic Richfield	19.1	**26**	26.0	0.4	16.0	**26**	12.6	7.3	21.6	**25**	24.9	**16**
Marathon Oil	18.9	**27**	22.4	0.6	13.6	**26**	12.6	4.5	21.4	**26**	16.8	**26**
Standard Oil Indiana	18.4	**28**	22.8	0.3	15.9	**21**	13.6	7.3	18.6	**34**	15.5	**31**
Shell Oil	17.6	**29**	20.9	0.4	13.0	**24**	13.0	7.7	17.4	**41**	17.2	**24**
Murphy Oil	17.5	**30**	26.8	0.5	15.7	**36**	10.3	7.7	17.6	**40**	15.8	**30**
Tesoro Petroleum	17.5	**31**	64.4	0.5	31.1	**35**	10.6	3.8	36.2	9	–4.4	**42**
Union Oil California	17.4	**32**	21.0	0.4	14.3	**28**	12.0	6.3	15.1	**43**	12.3	**34**
Tenneco	17.1	**33**	18.8	0.7	10.6	**39**	9.7	5.4	17.7	**38**	9.0	**39**
United Refining	16.9	**34**	14.5	0.5	10.6	**30**	11.8	1.6	20.1	**29**	15.9	**28**
Getty Oil	16.9	**35**	24.7	0.0	20.0	**20**	13.9	9.5	17.7	**39**	20.1	**20**
Suburban Propane Gas	15.6	**36**	18.1	0.6	11.0	**41**	9.6	3.1	20.8	**28**	11.0	**35**
American Petrofina	15.6	**37**	23.9	0.7	16.1	**31**	11.4	5.3	18.4	**35**	7.2	**40**
Empire	15.5	**38**	15.9	0.8	10.6	**38**	9.7	1.8	28.3	**17**	17.3	**23**
Kerr-McGee	14.2	**39**	14.6	0.3	10.2	**34**	10.8	5.2	17.8	**37**	10.8	**36**
Quaker State Oil	14.1	**40**	11.5	0.4	8.0	**40**	9.6	3.2	21.8	**24**	3.1	**41**
Cities Service	14.0	**41**	21.4	0.4	14.3	**37**	10.0	6.4	17.9	**36**	14.5	**32**
Valero Energy	10.8†	**42**	24.2	0.4	12.2	**42**	6.2†	3.0	19.7‡	**31**	D–P	
Commonwealth Oil Rfg	def	**43**	def	2.1	def	**43**	def	def	13.2	**44**	P–D	**43**
Coastal Corp	**		21.0	1.1	8.7		**	2.1	38.5‡	**6**	10.0‡	**37**
Medians	**21.5**		**25.0**	**0.5**	**15.8**		**13.6**	**5.7**	**22.5**		**19.8**	
Coal												
North American Coal	16.9%	**1**	17.2%	4.9	5.9%	5	6.8%	3.2%	16.9%	**2**	18.8%	**1**
St Joe Minerals	15.1	**2**	16.7	0.3	11.8	1	12.0	7.2	18.5	**1**	4.1	**3**
Pittston	13.4	**3**	11.9	0.1	9.6	2	11.3	4.0	11.0	**4**	–0.8	**4**
Eastern Gas & Fuel	12.9	**4**	14.6	0.5	8.8	4	7.8	5.9	13.2	**3**	7.1	**2**
Westmoreland Coal	8.3	**5**	def	0.4	0.4	3	8.5	def	7.8	**5**	–9.6	**5**
Medians	**13.4**		**14.6**	**0.4**	**8.8**		**8.5**	**4.0**	**13.2**		**4.1**	
Industry medians	**19.3**		**24.7**	**0.5**	**15.7**		**13.3**	**5.7**	**20.8**		**17.2**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49. †Four-year average.
‡Four-year growth. P-D: profit to deficit. D-P: deficit to profit, not ranked. def: deficit. **Not available; not ranked.

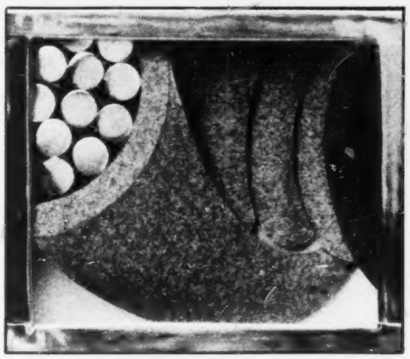
and they don't care too much about size."

In any supply shortage, the majors point out, they won't necessarily be able to wipe out their competition or gain large market shares even if they wanted to, just because they have their own source of supply. Says Paul Premo, head of the regulatory staff at Standard Oil of California: "We can't just dip in and say we're going to enter a new market or penetrate deeper into a market. We don't have the crude." He and his counterparts obviously are fully aware that if the independents don't get their way they may join the so-called consumer lobby in advocating divestiture. That explains why John McKinley, chairman and CEO of Texaco, was making speeches recently, saying, "The industry should avoid intramural disputes and try to present a unified front."

So far, however, there's no sign of that united front. Except, maybe, where the teapots are concerned. Senator Bennett Johnston (D–La.) represents the region where a good many of the teapots are located. Last year he introduced legislation that would have given small refiners—and consequently the teapots—loan guarantees. This year he will probably again call for loan guarantees to get small refiners to upgrade, but his office says teapots will be left out in the cold. Most refiners, integrated or not, are also keeping their distance. "Those teapots have given the industry a shiner," says Jim Gavin, CEACO executive director. "They saw an opportunity to get rich, and now they're flying around in Learjets. We feel we cannot march side by side with them."

It's been predicted that refining policy—the question of some alternative to entitlements and the small refiner bias—will be the hottest energy issue in Congress this year. That may or may not turn out to be true. But it seems clear that decontrol will provide a test for the new conservative majority. To what extent will it come out on the side of a free market and to what extent will it protect Big or Little oil at the expense of consumers and taxpayers? At this point, that is anyone's guess.—**Jean A. Briggs with Jeff Blyskal**

For the aluminum industry, overexpansion is a thing of the past. Isn't it?...Isn't it?



Aluminum

A YEAR AGO CORNELL MAIER, chairman of Kaiser Aluminum & Chemical Corp., dismissed overexpansion in the aluminum industry as a thing of the past. "Never again," said he; the Eighties would be the decade of the shortage. Where in the past the industry might have been tempted to overexpand, it'll be prevented from doing so, Maier argued, mainly because of expensive power. But to judge by the expansion programs announced last year, one had to wonder.

Alcoa, the leading U.S. producer, proposed a five-year, $4 billion capital program. Montreal-based Alcan Aluminium Ltd. will weigh in with nearly $4 billion for the same period. Reynolds Metals Co. proposes to spend $230 million a year in the early Eighties; Kaiser, $4 billion through 1989. In October Kaiser's treasurer predicted that during the Eighties, the world aluminum industry would spend $100 billion on new capacity and another $40 billion to enlarge existing plants.

For most of the Seventies too much production and not enough demand accounted for aluminum's insufferably erratic profits. Came the boom of 1978 and 1979, however, and the balance tightened, so that when the U.S. recession finally hit in the second half of 1980 the Big Four were protected from the kind of surplus-ridden bloodbath that cut their earnings by an average 51% in 1975. This time around, Alcan wasn't hurt at all, Reynolds and Kaiser were up slightly, and only Alcoa declined, its earnings off more than 10% because of an overseas strike, trouble at another foreign plant, an accounting change and misjudgment of demand in the aerospace market. Flush with confidence, the aluminum makers are expanding again.

It's bound to be rougher in 1981. As the U.S. turns around, Europe and Japan will slump, so that metals analyst Peter Merner of L.F. Rothschild, Unterberg, Towbin estimates profits for the group could be down 22%. But in 1982 and 1983, demand, prices and profits should recover to record levels.

But plenty of industry executives aren't as positive as Cornell Maier that recovery isn't going to bring on another surfeit of capacity—for instance, David Culver, chief executive of Canada's Alcan. His company is spending $425 million to bring on 188,000 tons of new smelter capacity by 1982 in Grand Baie, Que. It has also talked about adding 200,000 tons and more at its giant Kitimat, B.C. operation as well as building a new Grand Baie-size smelter in Manitoba.

With 75% of his output in Canada, Culver holds a tremendous edge over American competitors because of all the cheap hydroelectric power at his disposal. According to J. Clarence Morrison of Dean Witter Reynolds, in Canada it costs Alcan around 5 cents of energy to produce a pound of aluminum, *vs.* 14 cents for firms in the U.S. And that advantage is certain to be sustained. "Even so," admits Culver, "frankly, I'm afraid of overbuilding. Suppose we did. Since we have lower production costs, all that would mean is that we'd take longer to go out of business."

Among the top U.S. producers, it is precisely the high cost of energy in the U.S. and Europe—where 62% of total Free World capacity is located—that has driven them to expand in places such as Brazil and Australia. Alcoa has a $1 billion project under way on the north coast of Brazil, Reynolds is pumping $550 million into a joint venture in Australia. These countries are rich in bauxite *and* cheap power; production there costs 4 cents to 7 cents of energy per pound. Local demand is small, if fast growing—in Brazil per capita consumption of aluminum is 5 pounds, *vs.* 60 pounds in the U.S.—but such countries also serve markets like Japan, where 45-cents-per-pound electric bills have shut down 40% of the aluminum industry.

"Going international was always our long-term strategy," says Charles Parry, Alcoa's executive vice president for primary products. "The rapid, uninterrupted rise in American power costs just lit more of a fire under us. The result is that now it's helped to locate us where we want to be, in the Nineties."

Aluminum

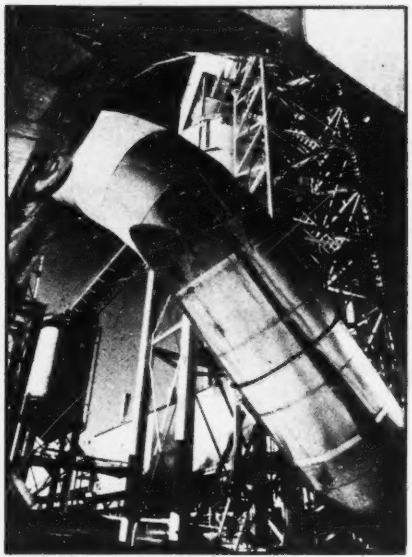
Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Alcan Aluminium	18.4%	1	26.4%	0.3	17.2%	1	12.3%	10.7%	14.6%	1	28.1%	1
Alcoa	16.6	2	20.2	0.4	14.3	2	11.0	9.9	14.3	2	26.0	2
Kaiser Alum & Chem	16.4	3	22.7	0.5	13.3	3	9.5	8.5	14.2	3	23.2	4
Reynolds Metals	13.0	4	16.4	0.7	9.7	4	7.5	5.4	13.9	4	23.4	3
Industry medians	**16.5**		**21.5**	**0.5**	**13.8**		**10.3**	**9.2**	**14.3**		**24.7**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Meanwhile, the danger of the next few years' shortage turning quickly into oversupply has far from disappeared. "There's a lot of talk about whether or not the U.S. recession is over," says Culver of Alcan. "People constantly refer to various curves—Vs, Us, Ws, saucers and so forth. I'm pretty sure the best scenario for our industry, in plain English, would be a slow, steady recovery, nothing too dramatic. On the other hand, if aluminum prices start going through the roof, it could lead to mistakes in long-range planning."

Here's how Culver thinks it could happen. Since 1976 ingot prices, which account for about 20% of the Big Four's sales, have been steadily on the rise—from an average of 53 cents a pound in 1978 to 71 cents a pound in 1980, and an estimated $1 by 1984. But suppose, Culver says, the industry takes advantage of a shortage to chase profits, and raises that price even higher. According to Culver, $1.25 isn't so farfetched because ingot briefly hit this mark on the spot-metals market last year. "You give the industry two more years and $1.25 aluminum," says he, "and I guarantee you plenty of people will forget about having been burned by overcapacity before."


Ductwork in aluminum plant
The Eighties: $140 billion to expand.

In short, higher profits in an industry long starved of profits might encourage North American aluminum producers to risk speeding up expansion and bring on early much of the 700,000-odd tons of new smelter capacity it is estimated will open by 1984 and 1985. "If a downturn takes place soon after," warns David Culver, "well, unfortunately in our business, making hay and making miscalculations go hand in hand. I'm not saying it's going to happen, mind you, I'm just saying watch out."—*Thomas Jaffe*

Robert C. Watts, Jr. State Treasurer

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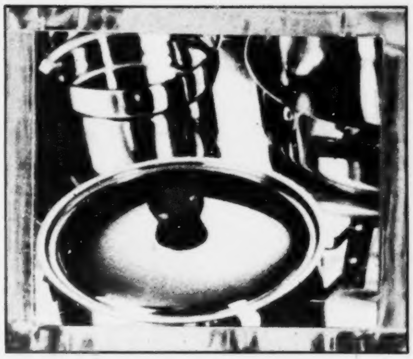
The market for household products has matured along with the baby boom. But new lifestyles are providing a silver lining.



Household goods

IN THE HOUSEHOLD PRODUCTS INDUSTRY, changing demographics contain a warning and a promise. The warning is that with the maturing of the World War II baby boom, new growth is likely to come hard. The promise: New lifestyles, creating larger numbers of smaller households, are also creating new markets and opportunities.

"This is a demographically driven industry, and the demographics have turned negative," says James Waggoner, a household products analyst with Bear, Stearns & Co. Waggoner is referring to the impact that slackening growth in the numbers of prime-age buyers is likely to have on the $9 billion market for major appliances—the refrigerators, washers, dryers and the like that account for more than half of the industry's total sales.

For the last five years, growth in the number of 25- to 34-year-olds—the years when first homes and new appliances are purchased—was 17%. For the next five years, it is projected to slow dramatically, to 10.2%. Population experts expect that by 1990 the number of young adults will have increased by a mere 3% over the figure projected for 1985.

This means that first-time purchases of the seven major household appliances (refrigerators, ovens, washers, dryers, freezers, air conditioners and waste disposals) have seen a declining growth trend since the peak of the early Seventies. But more than that, the replacement market, which accounts for about 60% of all purchases, has been soft—and may continue that way. That's because big-ticket items like appliances are

The Cuisinart complex

Cuisinart king Carl Sontheimer

The appliance industry's traditional markets may be stagnant these days, but the industry has lost none of its traditional ability to develop new products and markets. Take the most spectacular recent success of them all, Carl G. Sontheimer's Cuisinart food processor. With the Cuisinart, Sontheimer not only created a whole new segment of the appliance market, he devised what was one of the most successful marketing strategies in history.

Sontheimer's Cuisinart food processor was the Cadillac of gourmet food processors, high priced, beautifully engineered and perfectly adapted to an affluent market that never realized it craved such a product. But crave it did, and Sontheimer shrewdly capitalized on that by marketing only through the more fashionable stores and then, by accident or design, titillated demand even more by limited supplies. The four Cuisinart models commanded high list prices, between $130 and $650. With demand at fever pitch, retailers initially saw little reason to discount. And a decade after its introduction, Cuisinart retains its cachet as an item of costly conspicuous consumption. It's no accident that in her new movie, *Private Benjamin*, Goldie Hawn hugs a Cuisinart food processor in mourning the death of her husband and the affluent middle-class lifestyle marriage to him had promised.

But while Cuisinart king Carl G. Sontheimer's marketing strategy has helped position top-of-the-line Cuisinarts as an emblem of gourmet status, his tactics have also landed him in court. In September a grand jury in Hartford indicted the privately owned, Greenwich, Conn.-based firm for lateral price-fixing, the first such case since Congress increased lateral price-fixing penalties in the mid-1970s, and the sixth case since it was deemed illegal in 1911.

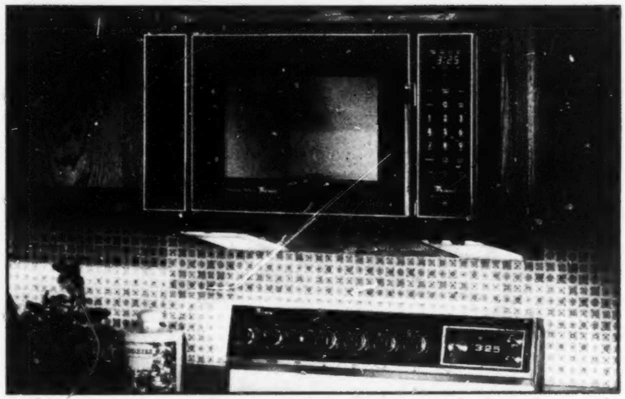
Sontheimer brusquely dismisses the charges and claims Cuisinart's image "depends more on where the products are sold and the people who sell them than the price at which it is sold." He has compiled a list of independent dealers that are reimbursed for dealer ads through Cuisinart's co-op advertising program, even when those ads are at prices below "suggested" retail. A fair amount is at stake. An unfavorable decision could result in a maximum penalty of $1 million for Sontheimer, and would have broad implications for similar cases under Justice Department investigation.

Since Sontheimer first introduced food processors to the American kitchen in 1971, his market share has been shredded by the likes of General Electric, Sunbeam, Waring and Moulinex, who offer processors of varying degrees of quality, safety and convenience for as little as $50 to $140.

Having just parted company with the French outfit that manufactures Cuisinart's original $650 and $130 models, Sontheimer now offers two Japanese imports for $175 and $250, which he says are more popular and of higher quality. All told, more than 20 different brands now carve up the total U.S. market, allocating Cuisinart a shaky 11% to 12%. While overall processor sales reached 3.1 million units in 1980, up 4% from the year before, bargain-brand processors selling for under $50 increased their market share by 7%, *vs.* a mere 1% for the $200-plus variety, according to *Merchandising* magazine.

Sontheimer won't discuss sales figures. But he claims that despite Cuisinart's declining market share, the product is so much in demand that "we're having to allocate goods. We are flying machines in from Japan at a cost of $20 apiece, so we don't have to leave stores in the lurch."

Lawsuit or no, the old strategy would still seem to be working.—Jayne A. Pearl



Unlike most other appliances, microwave oven sales have boomed.
They're short on cooking time, long on convenience.

among the first to be hit by the decline in discretionary income. "These items are usually replaced every 10 or 12 years," says Edward Arnold, an analyst with Boston-based Eaton & Howard van Sanders. "You can always stretch another two or three years of use, and that has been happening."

Refrigerators are typical of the weakness in white goods. In the year ended October 1979, about 5 million refrigerators were sold. In the 1980 year, consumers bought just 4.5 million, down 10.3%. Automatic washers and dryers are in a similar slump, with total sales off 7.7% and 11.7% respectively.

Air-conditioner sales experience seasonal fluctuations. While the unusually hot summer resulted in an explosive sales increase in July from the previous year, sales of air conditioners nevertheless were down 14.8% for the year ended October 1980. Analysts point out, however, that growing numbers of smaller families may be a positive sign. The reason: Operating costs are a major factor, and air conditioners cost less to operate in smaller living quarters.

It is these smaller quarters, necessitated by smaller families or more working women living alone, that will provide the silver lining for the industry. The average household now contains just 2.75 people *vs.* 3.33 in 1960; at the same time, the number of single-person households is nearly triple what it was 20 years ago. Over half of all women now work, a phenomenon most expect to continue.

One result has been a new market for appliances that maximize convenience. The shorter cooking time of microwave ovens is a prime example. "The whole notion of convenience is epitomized by the boom in microwave ovens," says Waggoner of Bear, Stearns. Sales figures are dramatic: Last year, when sales of other major appliances declined, a record 2.8 million microwaves were sold, up 31% from less than 2.2 million in 1979.

Household goods

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Appliances												
Maytag	27.6%	1	24.5%	0.0	23.3%	1	26.7%	11.0%	9.6%	4	10.1%	5
General Electric	20.3	2	20.2	0.1	18.1	2	18.1	6.1	11.4	3	12.2	3
Whirlpool	18.1	3	13.9	0.1	12.7	3	15.6	4.2	6.3	7	10.9	4
Scovill	17.5	4	12.8	0.8	8.9	4	12.0	2.8	7.5	5	36.2	1
Sunbeam	13.0	5	12.0	0.3	9.9	6	10.5	3.3	12.3	2	9.4	6
Hoover	12.2	6	15.2	0.1	12.3	5	10.7	4.3	6.6	6	5.3	7
Magic Chef	11.1	7	1.8	0.6	3.7	7	10.2	0.7	15.3	1	14.4	2
Singer	7.7	8	10.6	0.8	6.3	9	5.7	1.2	1.3	9	D–P	
Zenith Radio	7.7	9	10.1	0.4	7.7	8	6.7	2.4	4.1	8	–9.6	8
Medians	**13.0**		**12.8**	**0.3**	**9.9**		**10.7**	**3.3**	**7.5**		**10.5**	
Housewares and furnishings												
Insilco	16.8%	1	16.8%	0.6	9.5%	4	10.0%	4.6%	8.2%	4	12.5%	4
Black & Decker	16.3	2	17.5	0.2	15.0	1	13.4	6.3	17.0	2	14.7	2
Stanley Works	15.5	3	14.0	0.3	12.2	2	12.5	5.1	11.8	3	14.4	3
Toro	14.5	4	def	0.7	def	3	11.6	def	18.4	1	9.6	5
Roper Corp	11.9	5	4.0	0.7	4.7	5	8.9	1.2	7.3	6	18.3	1
Mohasco	5.3	6	1.8	0.7	3.1	7	4.7	0.5	7.6	5	–4.8	6
Talley Industries	4.1	7	def	1.1	def	6	4.9	def	5.5	7	–16.7	7
Medians	**14.5**		**4.0**	**0.7**	**4.7**		**10.0**	**1.2**	**8.2**		**12.5**	
Housekeeping products												
Procter & Gamble	19.4%	1	19.1%	0.2	14.8%	2	15.0%	5.9%	14.4%	3	12.0%	2
Clorox	19.3	2	15.4	0.2	13.1	1	15.2	5.2	12.2	5	7.4	5
Economics Laboratory	17.5	3	16.9	0.6	12.2	3	13.5	5.3	16.3	1	15.0	1
Purex Industries	15.0	4	14.5	0.2	11.3	5	11.3	4.1	7.4	6	8.6	4
Colgate-Palmolive	13.9	5	9.7	0.3	8.1	4	12.2	2.3	14.4	2	5.5	6
Scott Paper	11.4	6	12.6	0.4	9.2	6	8.4	6.3	12.3	4	11.8	3
Medians	**16.3**		**15.0**	**0.3**	**11.8**		**12.9**	**5.3**	**13.4**		**10.2**	
Industry medians	**14.8**		**13.4**	**0.4**	**9.7**		**11.5**	**4.2**	**10.5**		**10.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
D-P: deficit to profit; not ranked. def: deficit.

How Western flexible staffing cuts personnel costs

"A shifting economy means shifting personnel needs... I can call Western at night and have qualified help by morning."

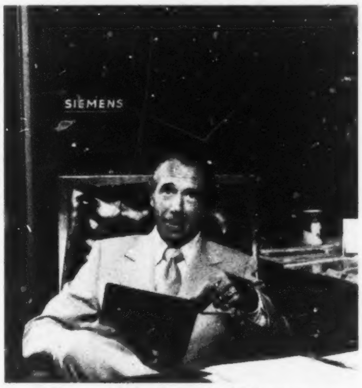
A company with an international reputation like Siemens Corporation has high personnel standards to maintain. When the economy waxes and wanes as it has in recent months, Personnel Director Henry G. Matz, at Siemens' Cherry Hill, N.J., Electronic Systems Division, relies on Western Temporary Services to meet fluctuating company demands. Temporaries help him test the need for new positions before establishing them as permanent ones. This is standard personnel procedure for Mr. Matz.

"We find it economical to take care of an immediate need with Western temporaries and then if the need persists, we fill the position with a permanent person. That way we can count on having the qualified help we need when we need it without the usual costs associated with hiring permanent personnel . . . recruiting, screening, and benefits. Western takes care of all that."

Like personnel directors of other large companies, Matz has to contend with peak demand times as well as with slack periods in a constant adaptation to a changing economy. He must provide continual quality coverage on a day to day basis in spite of planned and unplanned personnel variations.

"When I'm in a bind, I rarely have a week to find someone and train him," says Matz. "What I like about Western is that even if I call at 5 p.m., we get the qualified people we need by 7:30 the next morning."

Over the past year alone Siemens has used more than 100 Western temporaries in 30 different job classifications ranging from technical typists to assistant bookkeepers . . . from file clerks to computer terminal operators . . . from warehouse workers to assemblers.



Henry Matz, Personnel Director, Electronics Systems Division, Siemens Corp.

"Western's shown a thorough understanding of our needs," says Matz. "And, I've always gotten extra cooperation when I've needed it. The fact is, Western's people consistently keep our Siemens' managers and supervisors satisfied . . . there's been complete integrity in our business relationship – that's for sure!"

It's Western's people that make the difference. Western provides reliable temporary help tailored to meet your needs. Join Henry Matz and successful personnel directors of prestigious companies, large and small, in taking advantage of flexible staffing with Western Temporary Services. Call today. Ask for our free brochure "Flexible Staffing with Western." We're in the white pages of your phone book. 200 offices worldwide.

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TEMPORARY SERVICES.
Corporate Headquarters:
101 Howard Street
San Francisco, California 94105

Divisions: Clerical (Western Girl) Marketing Medical Technical Industrial Sentry Santa Photo

Microwaves usually have a smaller capacity than ordinary ovens, a trend that may extend to other appliances as well. Some analysts predict a new market for downsize appliances, such as smaller-capacity refrigerators and ranges, that will gradually be phased in by the major manufacturers.

The trend toward smaller households is also reshaping buying patterns for small electrics, a $5 billion annual market. It has boosted sales of apartment-size electric mixers, coffee makers and food processors *(see box, p. 86)*. Sales have also mushroomed for what Waggoner calls "Me-generation gadgets": shower massages, hot tubs and other gimmicks that people see as a means of self-expression. "The single person wants to be entertained [at home]," Waggoner says. "These things are the nth degree of American materialism."

Refrigerators are typical of the weakness in white goods. In the year ended October 1979, about 5 million were sold; in 1980, consumers bought just 4.5 million, down 10.3%. Automatic washers and dryers are in a similar slump.

But despite such pockets of brightness, the bottom line for the biggest segment of the industry remains bleak. With interest rates inching up to last April's peak, 1980 estimated housing starts at a low 1.22 million, compared with 1979's 1.75 million, and a bigger chunk of income going for things like food and fuel, analysts are chary of predicting an upswing in major-appliance sales at least through the first half of 1981. After that, even with a full economic recovery, there are those ominous demographics. As a result, Arnold notes a gradual liquidation "almost down the line" of big household products companies in institutional and pension fund portfolios.

For the investor who still wants to make a play in the industry, the "silver lining" companies are the place to look—firms making smaller items that have been moving well. Rubbermaid, which makes an array of plastic appliances in the $2-to-$5 range, is a current favorite. Scovill, a manufacturer of household gadgets, is another.

The investor who wants to ride the microwave boom will have a difficult time. Virtually all the leading microwave manufacturers, such as Amana and Litton, also make less-sought-after appliances. This means the investor will have to buy the bad with the good. For his part, Waggoner is not recommending any of the big white goods companies to his clients.—**Carol E. Curtis**

Coal has begun to boom for the railroads again, but the question is: Just how much of these gains in traffic can be converted into corresponding gains in profit?

Railroads

In the Sixties, the collapse in the eastern railroads' coal traffic probably did more than anything else—including mergers and mismanagement—to plunge the eastern roads into bankruptcy. These days, however, coal offers the industry's best hope of becoming a major moneymaker again. Coal has maintained the blue-chip character of traditional carriers like Chessie, Norfolk & Western and Southern even during the slump. It has already transformed western roads like the Union Pacific, Burlington Northern and Santa Fe into something like growth companies, and it's converted the Kansas City Southern into a decent moneymaker again. The stock market has taken notice. Value Line rail index has nearly doubled over the past two years, *vs.* a 40% gain in the VL composite index.

Coal provides 32% of the railroads' tonnage, three times as much as second-place farm products. The railroads move two-thirds of the U.S.' 825 million-ton coal production. And the prospect is for continued expansion. The National Coal Association is talking about a 4.2% average annual growth in output, to 1.25 billion tons in 1990, and a recent Department of Transportation-Department of Energy report predicts Appalachian coal traffic will nearly double its 1975 levels by 1990—to 600 million tons—while western coal traffic should go from 1975's 97 million tons to 625 million.

To meet this expected upsurge in demand, the rairoads are pouring hundreds of millions of dollars into coal-hopper cars, heavy track on mine routes and export piers. Burlington Northern, for example, has spent $1 billion in the past five years to increase its coal-hauling capacity out of Wyoming's Powder River Basin. Chicago & North Western wants to invade Burlington's coal territory with the help of a $300 million federal loan guarantee. Even Conrail, the government-subsidized railroad that gets only a seventh of its revenues from coal, has bought 5,500 hopper cars since 1977 and is investing $25 million in a coal-pier project in Philadelphia. All told, that same DOT-DOE study predicted, the industry will spend $4.5 billion between 1975 and 1990 on new cars and locomotives, as much more renewing old track and building new.

It's quite a change from the Sixties, when the utilities were switching to oil to meet the government's environmental demands and the railroads were vigorously cutting rates in the hope of holding the traffic. So far the upsurge has been limited to the West where a new coal region is opening up, to the South where utilities have been replacing natural gas and oil with coal, and to the export market, which last year began taking utility coal for the first time.

As these markets begin to boom, the government is forcing power plants to switch back to coal in the name of energy policy, so that some of the railroad's lost business will return. The federal coal-conversion program should increase coal traffic by 4.4%, says a study by the Association of American Railroads. "We're optimistic," says Warren Barber of Conrail's coal-hopper group, "but the political arena is such that it's probably going to be 1984 or 1985 before some of these facilities are converted." The first for Conrail, a New England

Railroads

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Chic & North Western	27.1%	1	45.9%	2.2	10.2%	6	6.6%	4.0%	10.8%‡	6	20.8%‡	3
Missouri Pacific	26.7	2	21.8	1.1	10.9	1	11.2	8.0	14.2‡	4	18.7‡	5
Union Pacific	13.3	3	15.6	0.3	10.3	2	8.9	8.6	19.5	1	21.0	2
Southern Railway	12.9	4	14.3	0.6	8.1	4	7.4	10.6	10.6	7	13.3	9
Norfolk & Western Ry	12.6	5	15.1	0.3	9.5	3	7.4	13.6	5.9	11	18.9	4
Santa Fe Industries	10.4	6	13.3	0.3	8.9	5	7.2	9.0	13.4	5	14.3	7
IC Industries	9.8	7	10.2	0.7	5.7	7	6.1	2.7	19.4	2	13.3	8
St Louis-San Fran Ry	8.0	8	10.3	0.8	6.3	9	5.1	5.3	9.4	8	14.5	6
Burlington Northern	7.2	9	10.7	0.5	7.0	8	5.2	5.5	14.9	3	25.5	1
Southern Pacific	6.9	10	7.1	0.6	4.8	10	4.9	5.3	8.7	10	6.4	10
CSX	**		**	**	**		**	6.7	9.2‡	9	6.1‡	11
Industry medians	11.5		13.8	0.6	8.5		6.9	6.7	10.8		14.5	
All industry medians	15.8		16.1	0.4	11.0		11.1	5.0	14.3		13.9	

Note: Explanation of Yardsticks calculations on page 49.
‡Four-year growth. **Not available; not ranked.

Electric plant in Massachusetts, will switch over one boiler next year.

The overriding question, of course, is just how much of these gains in traffic can be converted into higher profits for the railroads. "The railroads ought to participate in the prosperity of the coal industry," says John P. Fishwick, chairman of the Norfolk & Western. But so far the railroads haven't caught up with the coal companies. Over the past decade, coal freight costs have increased only 175% *vs.* 300% for the coal itself, so there ought to be plenty of room for railroad profits to expand, if only enough utility furnaces can be found to burn the stuff. That, of course, is the rub. For though coal costs are only $2 per million Btus to oil's $6, the utilities would still rather burn oil. Oil is much easier to handle and is less likely to bring environmentalists down on the utilities.

Along with the prospect of more revenues, the so-called deregulation bill, signed into law in October, has roused cautious hopes in the industry. The bill gives the roads the freedom to raise their tariffs by up to 6% a year above the inflation rate for several years. While the procompetition thrust of the bill might actually cause some rail rates to fall, coal should, on paper, be a good target for increases, as most of the railroads' coal business is not exposed to competitive attack by trucks and barges. The problem is that higher coal-hauling rates are quickly translated into higher electric rates and higher electric rates mean trouble with consumers and politicians. The deregulation bill, in fact, was all but stopped dead last summer by a dispute between the San Antonio, Tex. municipal electric company and Burlington Northern. "Coal is the politically most sensitive commodity, and least likely to have any [rate] change whatever, initially," says Robert D. Long of First Boston Corp. Still, it's hard to see how the industry can fail to come out somewhat ahead.

Even if coal traffic itself yields disappointing profits, there's another angle to the energy/rail play: Higher diesel fuel prices, which have increased tenfold over the last decade, widen the rails' competitive advantage over trucks on other shipments. The trains claim a 4-to-1 advantage in fuel costs.

Still more intriguing are the direct energy investments of many rail holding companies. Burlington Northern, which got 28% of freight revenues in 1979 from coal, also owns nearly 15 billion tons of coal reserves. Union Pacific draws half its revenues from oil and gas operations, and has 10 billion tons of coal. Santa Fe, Chessie and N&W all have some coal reserves. The industry, it seems, would be hard pressed not to make a buck off the nation's continuing energy crisis somewhere.—**William Baldwin**

The Conrail conundrum

Back in 1975 the Final System Plan of the U.S. Railway Association predicted that by 1979 Conrail would be making a profit and paying dividends on the stock distributed to creditors of its bankrupt predecessors. What happened was that Conrail lost $178 million in 1979, and as much as $240 million in 1980.

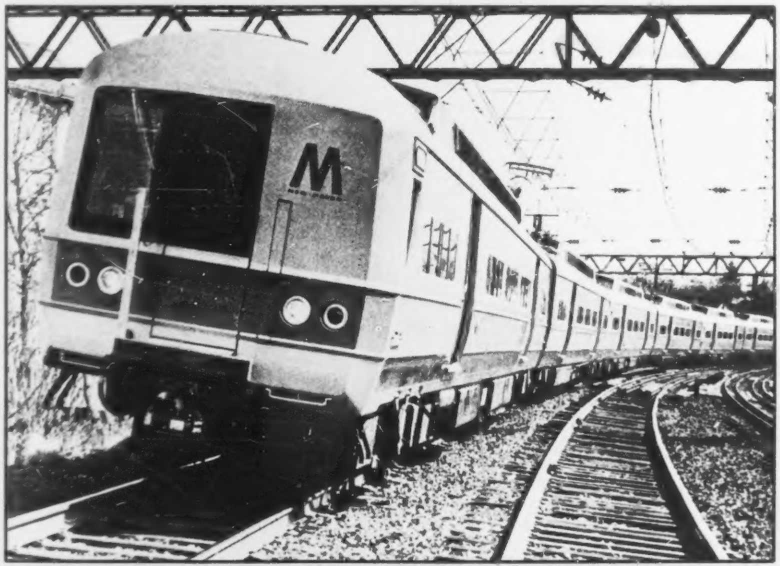
The 1975 plan, says Stephen Berger, the new USRA chairman, was "way too optimistic," especially in assumptions about freight volume. It assumed that tonnage would climb to 314 million by 1980; in actuality it fell 14%—to under 240 million. Thus, while employment is down 20% from 100,000 when the plan was put out, freight traffic has fallen almost commensurately, and the expected productivity gains have been elusive as Conrail continued to pay labor the concessions it agreed to as the price of the original Penn Central merger. A $250 million fund for severance pay (many employees were guaranteed the equivalent of lifetime employment) was quickly exhausted and Congress had to add $235 million to it in last year's deregulation bill.

The USRA, which oversees federal subsidies to the rail industry, hasn't written Conrail off as hopeless. That's not its job. One part of the solution is, as it has always been, to eliminate trackage, both on low-density branch lines and duplicative main lines. Berger is unwilling to put a figure on track abandonment, but some railroadmen have talked about doing away with a third of Conrail's 17,000 miles. The other part of the solution is rate adjustments. Conrail is losing money on 20% to 30% of its traffic, according to Edward G. Jordan, the line's outgoing chairman. Finally, says Berger, "In addition to stripping the system down, you've got to take an enormous load off their backs" by transferring responsibility for commuter trains to local transit agencies.

Conrail will never have the freight volume that its components (primarily the Penn Central) once had, even with a long-hoped-for resurgence in coal traffic to northeastern utilities. Non-utility demand has slipped too much. But the North is not dead; in 1985, says Berger, Conrail's territory will still account for 47% of the nation's industrial output.

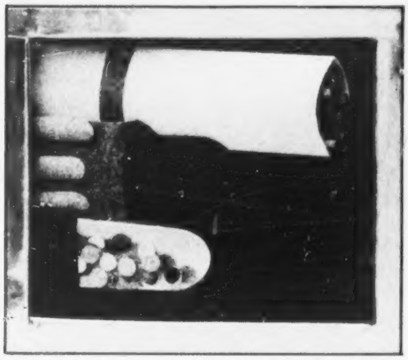
Can Conrail ever untangle itself from the political pressures that force it to retain unprofitable branch lines or the assortment of Amtrak and commuter trains that get underfoot? Perhaps not. "Nobody can make a buck in there," says Norfolk & Western Chairman John P. Fishwick. "It's like spaghetti."

In a report on Conrail's outlook due in Congress this spring, the USRA will probably disagree with this gloomy prognosis, but Fishwick is probably right. Nevertheless, one thing seems clear: Conrail cannot be dispensed with as the Northwest is dispensing with most of the Milwaukee. Without Conrail, the industrial economy of the territory it serves would come to a halt.—W.B.



A Conrail commuter train en route from Grand Central to New Haven
Around New York, Conrail has shifted such operations to local agencies.

The shift of consumers toward low-tar brands and the more rapid growth of consumption abroad leave no doubt that the cigarette market is worth going after.



Tobacco

After years of diversification, carried out with varying degrees of success, the U.S.' major tobacco companies have come back to their original proposition—that there's no opportunity like the tobacco industry itself. Not that anyone has illusions that tobacco is a growth industry. For years the growth in total U.S. consumption of cigarettes has been bumping around the 1% or 2% level, and last year wasn't markedly different. But despite the years of health scares, some growth still remains, and cigarettes are foremost among the most profitable and vital consumer products in the world. With a five-year average return of better than 20%, tobacco is one of the three or four most profitable businesses in all U.S. industry, on a par with aerospace and electrical equipment and second only to broadcasting.

"Although the overall size of the U.S. cigarette market will be stable during the coming years," says Edward Horrigan Jr., head of R.J. Reynolds' domestic cigarette company, "that still gives us a 400-billion-cigarette market to crack—namely, the business held by our competitors. There are opportunities if you can anticipate the wants of the smoking public. In the past 12 months our company has made long-range commitments amounting to well over $1 billion, an extraordinary sum of money. It demonstrates our conviction that this is not a dying industry."

Most of that $1 billion is being spent on capital improvements and expansion of its U.S. cigarette operation. The U.S. front-runner, with a 33% share of the market, Reynolds is building two big new plants and expanding another in Winston-Salem, N.C. Furthermore, Reynolds has recently upped its ad budget by 14% to around $250 million, outspending archrival Philip Morris by almost a cent a pack.

Philip Morris has already demonstrated what a bonanza the domestic market can be to a canny marketer by almost doubling its market share (to 30%) over the last decade. Philip Morris spent $850 million last year and is projecting close to $3.5 billion through 1984. Some of that will go for Miller beer and 7UP, Philip Morris' other main products. But by far the bulk will be for equipment and new factories to produce its cigarette brands. The company claims that "one of our primary needs now is to expand our production facilities to meet the current and projected demand for our products." The result of such modernization and expansion has been a steady reduction in per-unit production costs throughout the industry (and especially at Philip Morris); and this, in conjunction with price increases, makes cigarettes even more profitable these days than they used to be.

Where is the output of all those new facilities going to go? Into one of the most hotly competitive segments of the industry: low-tar (15 mg. or less) and ultra low-tar (6 mg. or less) cigarettes. The lesson of what happened recently to Lorillard hasn't been lost on the industry. Back in 1975 Lorillard decided to reformulate its brands to make them milder and to aim at the low-tar market that was emerging. At the time this was quite a daring move, apart from the fact that Lorillard was putting almost all its eggs (five low-tar brands accounting for 80% of its market) in one basket. Back then, low-tar brands were looked upon as pallid and tasteless, but Lorillard took the gamble because its share of the market had declined to 8%.

Intimidated by the health hazard cigarettes pose, many smokers decided to smoke lighter rather than quit, and Lorillard, pushing its Golden Lights, Kent III and Triumph, was one of the prime beneficiaries of their decision. According to John Maxwell Jr., of Lehman Brothers Kuhn Loeb, the low-tar market has increased from 17.1% of total cigarette sales in 1976 to almost 50% today. Lorillard's market share, because of its aggressive positioning in this booming seg-

Tobacco

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Loews	23.8%	1	24.1%	0.7	11.8%	4	10.5%	5.0%	25.4%	1	27.6%	1
Philip Morris	23.6	2	24.7	0.9	13.6	2	13.7	6.4	20.8	2	20.2	2
R J Reynolds Inds	20.5	3	21.6	0.3	14.7	1	14.8	6.7	15.8	3	9.4	4
American Brands	18.7	4	26.2	0.3	17.6	3	13.2	6.3	9.7	4	13.1	3
Culbro	def	5	def	1.6	def	5	1.3	def	7.2	5	P–D	5
Industry medians	**20.5**		**24.1**	**0.7**	**13.6**		**13.2**	**6.3**	**15.8**		**13.1**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

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Cigarette inventory at Philip Morris' plant in Richmond, Va.

"Our competitors' market share represents our best opportunity."

ment, is now verging on 8% of low tars, 10% overall. (A one-percentage-point gain adds roughly $130 million to a cigarette company's sales.) That makes Lorillard one of only two major tobacco manufacturers (Philip Morris is the other) to significantly increase its share of the market.

Now that Lorillard has shown the wisdom of the strategy, the low-tar market has gotten crowded. Brown & Williamson, a subsidiary of Britain's B.A.T Industries, the largest cigarette maker in the non-Communist world, has recently introduced its ultra low-tar Barclay brand. After flopping with Barclay's predecessors, Fact and Arctic Lights, B&W is spending an estimated $150 million on this launch, which includes giving away free cartons of the brand. American Brands' Carlton, with a 2.7% share of the total cigarette market, has a 33% share of the ultra low-tar market. R.J. Reynolds' Now brand is second. Already things are stiffening up where the money is to be made. Philip Morris' Cambridge brand, introduced last year, has encountered resistance despite over $60 million in advertising and promotion. Undaunted, Philip Morris is test-marketing a similar brand, Merit Ultra-Lights, in Des Moines and Sacramento.

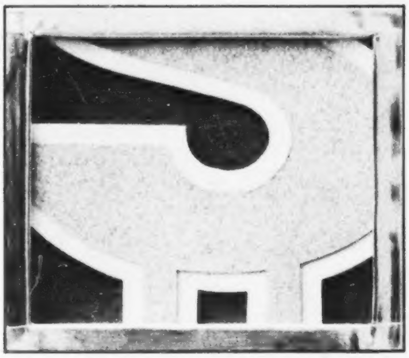
The growth rate, and the competition, will be even stronger abroad, where some 3.8 trillion cigarettes were smoked last year *vs.* about 620 billion in the U.S. Outside the U.S. the growth rates still climb 3% to 4% annually, and to 5% and above in some developing countries. The major manufacturers won't let go of an opportunity like this, the rationale for much of their plant expansion. Philip Morris International, with 160 brands in 170 countries, sells about 20% more cigarettes a year than does its domestic operation. In such markets as Italy, Switzerland and Australia, Philip Morris' share amounts to about 30%.

Reynolds also has high hopes for international sales, particularly in Europe, which takes 32% of RJR's international tobacco volume. Right now it's pushing its established brands as well as marketing and distributing the Imperial Group's John Player and John Player Special. Reynolds has only 2.2% of the world market, *vs.* over 6% to Philip Morris. Working on the theory that your competitors' market represents your best opportunity for growth, that gives Reynolds plenty of market to go after.

Another market where the major manufacturers have barely begun to make inroads is Asia. But that situation is about to change. Well over half of worldwide cigarette consumption occurs in Asia, the second-largest market in this region being Japan. Because of prohibitive import tariffs, American cigarette producers have been able to carve out only minuscule positions in Japan. But now Japanese trade officials have expressed willingness to offer a 50% reduction in present duty levels, which should greatly encourage American penetration of this market.

For the next several years the major manufacturers are going to be battling one another with even more savagery than usual. There'll be opportunity, if not exactly happiness, in their own backyard.—**Steven Flax**

Wall Street boomed in the 1960s, almost went under in the 1970s and now is thinking bigger than ever for the 1980s.



Brokerage

BATTERED AND BLOODIED THROUGHOUT THE 1970s, Wall Street is now counterattacking. The targets are the nation's commercial banks, insurance companies and such "near-banks" as Sears, Roebuck and American Express. Brokerage houses want to break out of their traditional businesses and begin to provide every kind of financial service imaginable to consumers.

In the view of Sanford I. Weill, chairman of Shearson Loeb Rhoades, brokerage houses are rapidly diversifying into "one-stop financial supermarkets." In addition to serving an individual's every banking, insurance, investing and credit need, such supermarkets would handle the buying and selling of homes, the relocation of executives, travel planning and financial services yet to be conceived.

By far the leader of the drive to diversify is industry giant Merrill Lynch & Co., the nation's largest brokerage firm with just over $1 billion in capital. Through its controversial Cash Management Account, Merrill Lynch allows customers to write checks and make Visa card purchases with money available in margin accounts. Merrill helps transferred executives find new homes anywhere in the nation through its network of 3,000 realtors. And once a home is found, the "thundering herd" arranges financing through a local financial institution and then insures the mortgage through its insurance subsidiary. Merrill may also soon join the battle now raging between Citicorp and American Express for the $31 billion traveler's check market; it is considering a tax preparation service to compete head-on with H&R Block.

Despite these moves by Merrill, the "one-stop" shopping envisioned by Weill is still a long way off. The biggest barrier, of course, is the 47-year-old Glass-Steagall Act. The act split the nation's financial system down the middle by separating commercial banking (taking deposits and making loans) from investment banking (underwriting and brokering securities). The separation was mandated during the depths of the Depression because banks, which then participated in two-thirds of all security underwritings, often got rid of junk at their depositors' ultimate cost by sticking it in their own portfolios. The chicanery of such an arrangement prompted an angry public to blame the banks for the Crash.

Bankers claim that Wall Street's diversification drive is largely illegal because it violates Glass-Steagall. Specifically, they charge that funds left in the Merrill Lynch Cash Management Account are deposits and the company is therefore violating the law by acting like a bank. For its part, Merrill Lynch contends that the banking aspects of the program are handled by Bank One, of Columbus, Ohio, which issues the Visa cards and checkbooks used by the firm's customers. So far, Merrill Lynch's position has been upheld by the courts, and the Federal Reserve Board has ruled that the firm has done nothing illegal.

Brokerage firms want to diversify for two big reasons: One is the fact that the stock market's sorry performance during the early 1970s has prompted some 5 million investors to leave the market between 1970 and 1975. "Wall Street obviously wants them back," says one analyst. "And the way to get them back is to offer products that are attractive even when the market is flat or falling."

The second reason is that financial markets are changing drastically. Where once businesses were the chief customers for financial services, today the consumer is—with his bank balances, mortgages, money market funds and other liquid assets. At the moment the market is highly fragmented but everyone expects it to become more concentrated.

Brokerage

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Shearson Loeb Rhoades	34.3%	1	55.9%	1.1	34.3%	2	20.1%	9.1%	36.0%	1	59.3%	1
E F Hutton Group	25.7	2	38.7	0.3	33.7	1	21.6	6.8	27.8	3	24.3	2
Merrill Lynch	15.3	3	23.0	0.0	23.0	3	15.3	6.5	17.2	6	9.9	5
Paine Webber	14.7	4	5.9	0.7	5.1	6	11.2	0.8	26.1	4	16.0	3
Dean Witter Reynolds	14.4	5	22.5	0.2	19.5	4	14.4	5.1	22.5	5	7.7	6
First Boston	14.2	6	27.5	0.2	24.6	5	14.1	6.6	28.5	2	3.8	7
Bache Group	10.8	7	24.1	0.6	18.7	7	9.4	5.3	16.3	7	14.9	4
Industry medians	**14.7**		**24.1**	**0.3**	**23.0**		**14.4**	**6.5**	**26.1**		**14.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Sandy Weill of Shearson

Eyeing a $100 billion consumer financial services market.

"The consumer financial services market could reach $100 billion by 1990," says Shearson's Weill. Shearson is the nation's second-largest brokerage firm, with capital of just over $400 million. "To date, we only have a $7 billion share of that market."

The drive to diversify is already paying off. In 1979 and 1980, for example, nontraditional activity provided some 10% of Merrill's revenues. For the industry as a whole, return on equity has jumped to a strong 16.1%.

Furthermore, the brokerage industry has begun to solve one of the biggest problems it faced during the Seventies—lack of capital. The capital shortage was a major reason dozens of brokerage firms collapsed or were taken over during the decade. Because surviving firms have strengthened their capital positions and broadened their product lines considerably, Wall Street is a great deal healthier today than it has been in nearly a decade.

But prosperity poses problems of its own, just as The Street learned in the 1960s. At that time, a number of big firms went under because they were not able to process the heavy volume of buy and sell orders. Now, with this year's heavy volume of institutional transactions, the threat of horrendous back-office problems is again looming large.

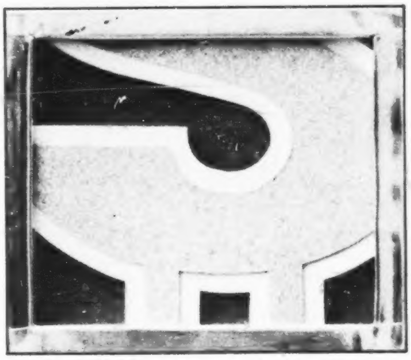
"We could see history—and the nightmare of the late 1960s—repeated if we're not prepared," warns one broker. Indeed, the New York Stock Exchange is predicting that the number of shares routinely traded each day will almost double to 90 million by 1985. The exchange predicts that on some days 150 million shares will change hands.

The back-office problem could be worsened by the fact that the Big Board may lose its position as the sole trading floor for the shares of America's largest corporations. Recently, member firms have been allowed to make their own markets in 56 listed common stocks, and nearly 1 trade in 14 was conducted away from the NYSE. Eventually, other stocks will be added—a development expected to speed up the trend away from the NYSE.

To stall that trend—and join the diversification drive—the Big Board opened a futures trading exchange in August, the first major movement away from stocks and bonds in its 188-year history. The New York Futures Exchange is expected to become a major center for the trading of financial futures, which until now have been the preserve of the Chicago Board of Trade, the Chicago Mercantile Exchange and the New York Commodities Exchange. Financial futures are contracts to buy or sell government securities, mortgage-backed paper and foreign currencies on a specific day at a specific price.

Says New York Stock Exchange President John J. Phelan Jr.: "The future of the stock exchange is now very bright. And that goes for the brokerage industry as well. Diversification and the desire to serve the increasingly sophisticated consumer is helping everybody." However, growth has its problems, and it remains to be seen which firms will deal with the problems effectively and which ones won't.—**Thomas C. O'Donnell**

You can't borrow at 12% to invest at 9%—unless you are prepared to let your company go down the drain. That, however, is exactly what's happening at many savings and loans.



The thrifts

THE $750 BILLION THRIFT INDUSTRY these days is in a race for its life, and the hard truth is that it may be a race many of the smaller and less sophisticated institutions seem destined to lose. "If inflation continues along at its present rate," says William Gray, an analyst at Kidder, Peabody & Co., "a severe shakeout of the thrift industry is inevitable."

The thrift industry is made up of 4,500 savings and loan associations across the nation and 500 mutual savings banks primarily in the Northeast, and the problem is that thrifts are borrowing money at rates of 12% or higher, while the average yield on their mortgage portfolios is a skimpy 9%. Consequently, the industry's losses in 1980 approached $3 billion. Ironically, the problem was created by the government with the best of intentions: insulating the nation's housing market from economic downturns.

Until recently, thrifts, no matter how large, were the least complex of financial institutions. Their role was very straightforward: to pull in low-cost savings deposits and lend them back out as higher-yielding home mortgages. That role left them subject to massive withdrawals of funds—disintermediation—whenever interest rates rose above what they were allowed to pay on savings accounts. The thrifts dealt with that problem by cutting back on mortgage lending. Unfortunately, this brought the housing market to a dead stop and invariably ushered in a recession.

Once Washington decided it could not let housing remain so cyclical, it deregulated the thrift industry and gave savings and loans an arsenal of weapons to compete for funds. Foremost among these are the six-month, $10,000 savings certificates with floating rates pegged to the yield on six-month Treasury bills, first offered in June 1978. The certificates solved the disintermediation problem, but they also created the far more serious one that is threatening the thrift industry with insolvency.

The problem is particularly severe in the Northeast, where the shakeout will probably begin. Usury ceilings have burdened such thrifts with the country's lowest-yielding mortgage portfolios—8¼%, against the national average of 9%. "Thrift institutions in New York and New England will be running losses for years to come," predicts Jonathan Gray, an analyst with Sanford C. Bernstein & Co. "Some will probably close their doors."

West Coast S&Ls, by contrast, are the industry's healthiest by a very wide margin—mainly because they've been free to diversify their operations, as S&Ls in more rigidly regulated states have not. Such giant California associations as Ahmanson and Golden West are becoming complex financial organizations similar to large commercial banks and increasingly able to compete with these bigger and more diversified rivals on equal terms. Other California associations are acting like mortgage bankers—packaging and selling off existing mortgages in order to obtain new funds. Still others are trying to corner the growing market for consumer services by turning themselves into "family financial centers."

The blurring of distinctions between thrifts and other financial institutions has accelerated since March when Congress passed the blockbusting Depository Institutions Deregulation & Monetary Control Act of 1980. "Without doubt, this is the most significant piece of financial legislation passed in this country since the Depression," says one banker.

Among other things, the act granted important new powers to thrifts, such as the right to offer NOW (negotiable order of withdrawal) accounts, the right to issue credit cards and the

The thrifts

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Golden West Finl	25.1%	1	20.8%	0.4	16.5%	1	20.8%	8.6%	37.7%	1	22.8%	1
Imperial Corp of Am	16.1	2	10.5	0.5	8.6	3	13.8	7.4	20.6	3	19.4	2
H F Ahmanson	14.7	3	7.8	0.5	6.4	5	12.7	4.8	19.3	4	16.2	5
Gt Western Financial	14.6	4	7.9	0.5	6.3	4	13.3	5.3	16.7	6	16.7	3
Gibraltar Financial	13.6	5	def	0.5	0.0	2	14.0	def	23.2	2	16.2	4
First Charter Finl	13.5	6	5.9	0.8	4.8	6	12.4	4.8	18.8	5	13.5	6
Industry medians	**14.7**		**7.9**	**0.5**	**6.4**		**13.6**	**5.1**	**20.0**		**16.5**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
def: deficit.

LENDING STANDARDS
STATEMENT OF CONDITION December 31, 1979
TELEPHONE TRANSFER SERVICE
VARIABLE RATE MORTGAGES
All Purpose Credit Application
SAVINGS INSURANCE
DIRECT DEPOSIT
DIRECT DEPOSIT
All Purpose Credit Application
California Money: Checking with Interest
CALIFORNIA FEDERAL
CALIFORNIA FEDERAL
CALIFORNIA FEDERAL

Brochures for various services offered at California Federal Savings and Loan

Diversifying to increase profitability and to compete with commercial banks.

right to offer consumer loans, larger and more extensive real estate loans as well as trust accounts.

"Most S&Ls are going to jump into NOW accounts [which became legal on a nationwide basis Jan. 1]," says Jay Janis, former chairman of the Federal Home Loan Bank Board. The Bank Board regulates 4,200 federally and state-chartered S&Ls—the backbone of the housing market. "Others are already offering credit cards, and with good results," Janis adds. "The 16% rate they charge on card balances provides a profitable spread over what they pay for funds."

Although he concedes the Deregulation & Monetary Control Act removed many of the distinctions that have differentiated S&Ls from commercial banks, Janis is not among those who foresee the demise of the traditional "dual banking" system. "S&Ls will remain what they always have been," he says, "the nation's primary lenders of mortgage credit."

To ensure this and to strengthen the troubled industry, the Bank Board in June quadrupled the amount of money S&Ls can raise from outside sources such as commercial banks, the commercial-paper market and the Euromarket, as well as from mortgage-backed securities. Earlier in the year the Bank Board authorized federally chartered S&Ls to offer rollover mortgages with rates renegotiable every five years. The new rules will probably spur thrifts nationwide to take advantage of the variety of financial instruments that the larger—and healthier—California thrifts have used for years.

But none of it is likely to be enough to prevent the earthquake that's building up. Even Janis sees "some shrinkage ahead for the industry." That's probably putting it mildly. "There will soon be massive consolidations to achieve economies of scale," says Gray of Sanford Bernstein. "Little players will leave the game and big institutions will dominate. The system that emerges from all this will be far stronger than the system we have now."—**Thomas C. O'Donnell**

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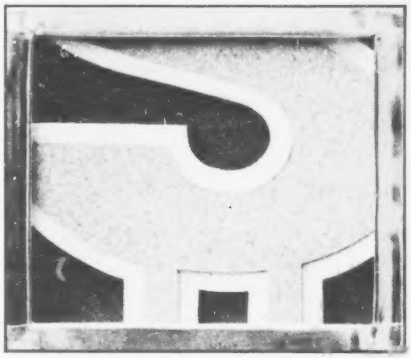
Personal loan companies are not just upgrading their images. They are rebuilding their customer bases and hell-bent on diversification.



Consumer finance

HOW ABOUT IT?" asks a Household Finance Corp. executive standing outside and gesturing up at the posh Chicago skyscraper that newly houses the nation's second-largest finance company. "Sure beats the second-story walkup we used to have, with lending officers looking like hungry gorillas chained to their desks."

Finance companies are trying to upgrade more than their image or their architecture these days. They're trying to shift their entire customer base: from the indigent to the affluent. They can get pretty upset at jokes about their long-standing—and rather seedy—reputation as lenders to those unable to borrow elsewhere. "In fact, I get downright angry," says Finn Caspersen, chairman of Wilmington, Del.-based Beneficial Corp., the nation's largest.

Household, which is mounting a million-dollar advertising campaign featuring its well-appointed, redecorated branch offices, even bristles at being called a finance company. So what is it? It calls itself a conglomerate because of sizable manufacturing and merchandising operations, even though more than 50% of its 1979 earnings of $161 million came from its traditional businesses of financial services and auto leasing. To strengthen itself in its traditional field, Household is hoping to capture the $50,000-plus annual income customer, a market of big but low-risk borrowers estimated at $10 billion a year.

And Household is not alone. For example, Evansville, Ind.-based Credithrift Financial Inc., which owns up to being a finance company, is cutting back on consumer loans as it emphasizes its investment counseling and large-loan services. In so doing it is coming right out of the closet. Says Senior Vice President W.R. Vause: "We haven't had an office off the ground floor in years."

It's not just a matter of prestige. The small consumer loan just isn't profitable anymore. In 1980 personal bankruptcies of finance company customers shot up by 60%, and the industry had to double its loan-loss reserves at a time it could least afford it. Says Noel Delaney, an analyst for L.F. Rothschild, Unterberg, Towbin: "Very few companies made money this year on consumer lending."

In reaching for these new upscale customers, the finance companies have plenty of competition. This huge and potentially lucrative market is also being invaded by commercial banks, thrift institutions, brokerage firms and such "nearbanks" as Sears, Merrill Lynch and American Express. What is more, skyrocketing interest rates have pushed the cost of funds at many finance companies above what they are able to charge for them, annihilating margins and causing lenders to

Consumer finance

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Reliance Group	121.9%	1	45.1%	0.5	25.7%	3	18.6%	14.6%	10.5%	11	D–P	
Alexander & Alexander	40.5	2	36.9	0.0	37.5	1	44.1	14.0	27.1	1	24.3%	4
Marsh & McLennan Cos	33.2	3	31.9	0.0	34.7	2	33.5	15.1	16.1	5	16.5	8
American Financial	26.8	4	7.5	1.4	6.6	9	8.6	3.0	19.6	3	29.9	2
Baldwin-United	24.2	5	26.3	0.7	14.9	5	15.7	6.0	26.1	2	19.9	6
Avco	23.2	6	17.2	2.7	6.7	10	7.9	5.6	7.5	15	73.6	1
American Express	20.4	7	20.0	0.4	15.4	4	16.6	6.9	16.2	4	17.7	7
Transamerica	18.3	8	18.0	1.2	9.8	7	11.2	5.5	11.6	10	23.7	5
RCA	17.7	9	15.3	0.9	11.0	6	11.7	3.9	9.6	12	26.1	3
Household Finance	14.7	10	12.3	1.9	6.0	12	7.0	2.4	13.3	9	8.0	10
Walter E Heller Intl	13.7	11	14.0	2.5	7.3	11	7.3	5.7	15.5‡	6	6.7‡	11
Fedl Natl Mortgage	13.2	12	3.5	28.9	3.8	15	4.2	1.0	14.4	7	3.6	13
Beneficial Corp	12.4	13	8.3	3.3	4.1	14	6.1	3.2	8.2	14	2.5	14
Sears Roebuck	11.9	14	7.5	0.3	6.5	8	9.9	2.2	9.3	13	5.6	12
Control Data	8.8	15	11.3	0.4	8.5	13	6.7	3.7	13.7	8	15.8	9
Industry medians	**18.3**		**15.3**	**0.9**	**8.5**		**9.9**	**5.5**	**13.7**		**17.1**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
‡Four-year growth. D-P: deficit to profit; not ranked.

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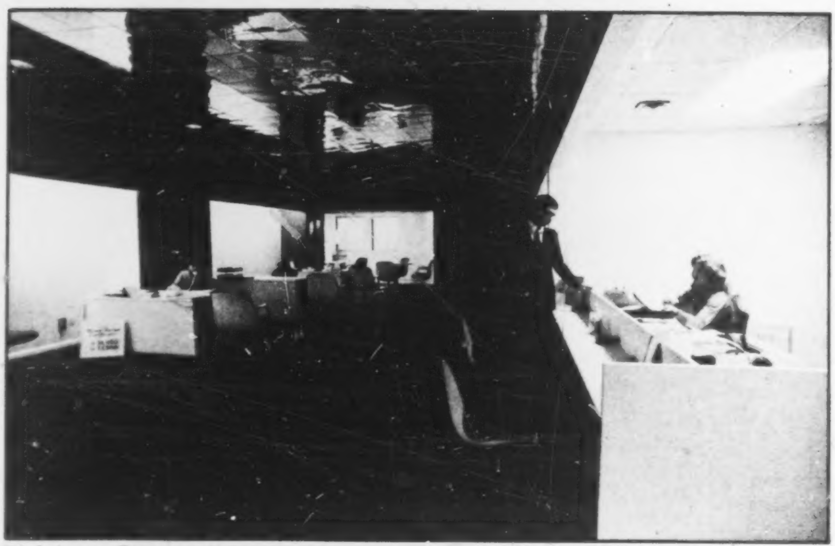


Dial Corp. office outside Des Moines

Shifting the customer base from the indigent to the affluent.

cut back dramatically. Even so, the industry seems to be reaching its goal: It made 25% fewer small (under $500) loans in 1980 than it did in 1979.

Those small consumer loans, which used to be the industry's bread and butter, have been replaced mainly by second-mortgage loans, which also used to have a seedy image but have become very good risks in recent years as housing prices have soared. Indeed, such credits carry higher interest and have a lower rate of default. Second-mortgage loans make up 25% of Household's portfolio, a major reason Household has consistently led the industry in profitability. The other finance companies aren't far behind in diversifying. "Let's face it," says Credithrift's Vause, "the $300 consumer loan doesn't mean a damn thing to us anymore."

> ***"Unless we get some interest rate breaks, we may have to abandon consumer loans altogether," says Richard Levitt, chairman of Iowa-based Dial Corp. "Running losses by continuing to make those loans is a very expensive way to do business."***

No one knows this better than Beneficial, which in 1979 acquired First Texas Financial Corp. of Dallas, the second-largest savings and loan association in Texas, and which had earlier acquired Peoples Bank & Trust Co. of Wilmington. It offers Visa and MasterCard and, in addition, Beneficial offers its own credit card, Bencharge, used primarily in retail stores in the midwest and in New Jersey. What is happening, says Chairman Caspersen, is that distinctions between financial institutions are fast disappearing and "everybody is converging on the middle-class market."

Indeed, just as finance companies are buying up banks and thrift institutions, banks are gobbling up finance companies. Bank of America now owns FinanceAmerica Corp., which operates nearly 400 offices in 38 states and Canada from its Allentown, Penna. headquarters. Citicorp controls Person-to-Person Inc. (formerly Nationwide Financial Services Corp.) with 145 offices in 26 states. Banks, especially the money-center giants, want to own finance companies for one very good reason: When the prohibition on interstate banking is eased, such offices can quickly be converted into deposit-taking branches or even full-service banks.

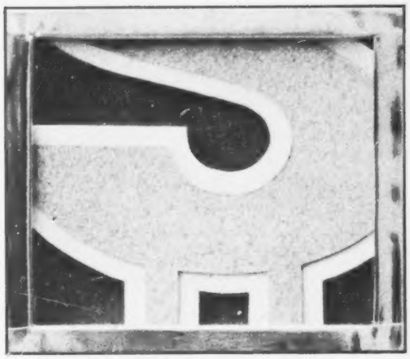
That day may be a long way off, however, and for the near term most consumer finance companies are less than glittering investments.

What the industry is surviving on, for the moment, is hope—that interest rates will peak in mid-1981 and that legislatures will lift ceilings (and so eliminate red ink) in states where usury laws apply. Of 50 states, more than half have relaxed or eliminated ceilings in the last two years, and similar proposals are pending in most other jurisdictions.

But after suffering through Eighties' hostile interest-rate climate and facing perhaps six more months of the same in 1981, finance companies may be forced to move away from small loans and small customers even more rapidly than they had planned. "Unless we get some interest rate breaks, we may have to abandon consumer loans altogether," says Richard Levitt, chairman of Iowa-based Dial Corp. "Running losses by continuing to make those loans is a very expensive way to do business."

—Anne Bagamery and Thomas C. O'Donnell

Commercial lenders have been stretched to the limit by this year's credit demands. Will deregulation help them snap back?



Banks

For the first time in nearly 50 years the U.S. banking industry is being radically transformed. Part of the pressure is coming from the banks that have been skillfully testing existing law. And part has come from Congress itself, which has recognized that the times are changing.

The single most important piece of financial legislation passed since the Depression, the landmark Depository Institutions Deregulation & Monetary Control Act, became law in April. It ushered in a new era of free-market competition in the banking industry. Among other things, it gradually phases out limits on what banks can pay for funds. The act also allows banks to pay interest on checking accounts.

Because of these two dramatic changes, banks will soon be paying high money market rates for funds they previously obtained very cheaply. The result will be sharply higher operating costs and an increasing squeeze on profits, so that many institutions will close during this decade. "The nation's 14,000 banks could dwindle to 7,000 by 1990," predicts Richard T. Hale, a bank analyst at Baltimore's Alex. Brown & Sons.

Hardest hit will be small and rural institutions that do not have the sophistication or size to compete in the money markets. "Small banks will soon be looking to get out of business at the same time larger banks are looking to get in," says Howard McCrady, executive vice president of Arizona's Valley National Bank. The shrinkage will come primarily through takeovers rather than from outright failures.

Such takeovers will become commonplace once the ban on interstate banking is eased. Currently, bank holding companies are prohibited from setting up deposit-taking branches or full service banks outside their home states by the Douglas Amendment to the McFadden Act. In early 1981, however, a White House task force is expected to recommend that the amendment be revised, and Congress will probably approve.

Actually, money center banks have already set up thousands of banking offices around the nation. Citicorp, for example, has some 750 offices spread throughout 40 states and the District of Columbia. The goal is to convert such offices into banks once deregulation arrives.

The industry's more aggressive assault on existing laws is taking place in Maryland, where Citicorp has introduced a credit card that bumps right up against the Douglas Amendment's ban on out-of-state deposits. Until the Federal Reserve Board called a temporary halt to such cards, Citicorp paid consumers 8% for balances left on them. Citicorp plans to seek a reversal of the Fed's ruling, and if successful, the $111 billion (assets) company will be able to accept deposits anywhere in

Banks

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
New York banks												
Republic New York	20.5%	1	31.0%	0.5	18.4%	1	13.7%	8.0%	36.1%	1	14.9%	1
Citicorp	15.9	2	15.5	1.3	9.1	5	10.4	4.1	20.5	2	11.7	2
J P Morgan	15.3	3	16.1	0.3	13.9	2	13.0	6.8	17.0	6	10.4	4
Manufacturers Hanover	14.4	4	14.3	0.5	11.1	3	11.2	4.6	18.9	3	9.6	5
Irving Bank	13.3	5	16.6	0.5	12.5	6	10.3	5.0	13.2	9	11.3	3
Bank of New York	12.5	6	13.2	0.1	12.1	4	11.1	4.6	17.5	4	4.6	9
Bankers Trust N Y	12.3	7	21.3	0.4	15.8	7	9.7	5.2	13.9	8	6.9	7
Chemical New York	12.1	8	14.4	0.6	10.0	8	9.2	3.9	17.1	5	7.3	6
Chase Manhattan	11.3	9	16.3	0.5	11.4	9	8.6	4.7	15.0	7	4.9	8
Marine Midland Banks	6.4	10	9.6	0.8	7.6	10	5.3	2.9	8.3	10	–5.1	10
Medians	**12.9**		**15.8**	**0.5**	**11.8**		**10.4**	**4.7**	**17.1**		**8.5**	
Regional banks												
Mercantile Texas	18.9%	1	18.8%	0.5	14.0%	6	14.4%	8.7%	41.4%	1	15.5%	4
Texas Commerce Bshs	18.2	2	19.7	0.1	18.1	1	16.6	10.0	28.1	2	15.6	2
BankAmerica	17.9	3	18.5	0.3	14.7	10	13.8	5.5	18.7	7	15.1	7
U S Bancorp	17.7	4	17.3	0.5	13.0	8	13.9	11.1	15.7	19	15.1	8
First Intl Bshs	17.6	5	18.6	0.5	13.9	7	14.2	8.5	23.0	4	13.6	13

Note: Explanation of Yardsticks calculations on page 49.

Banks

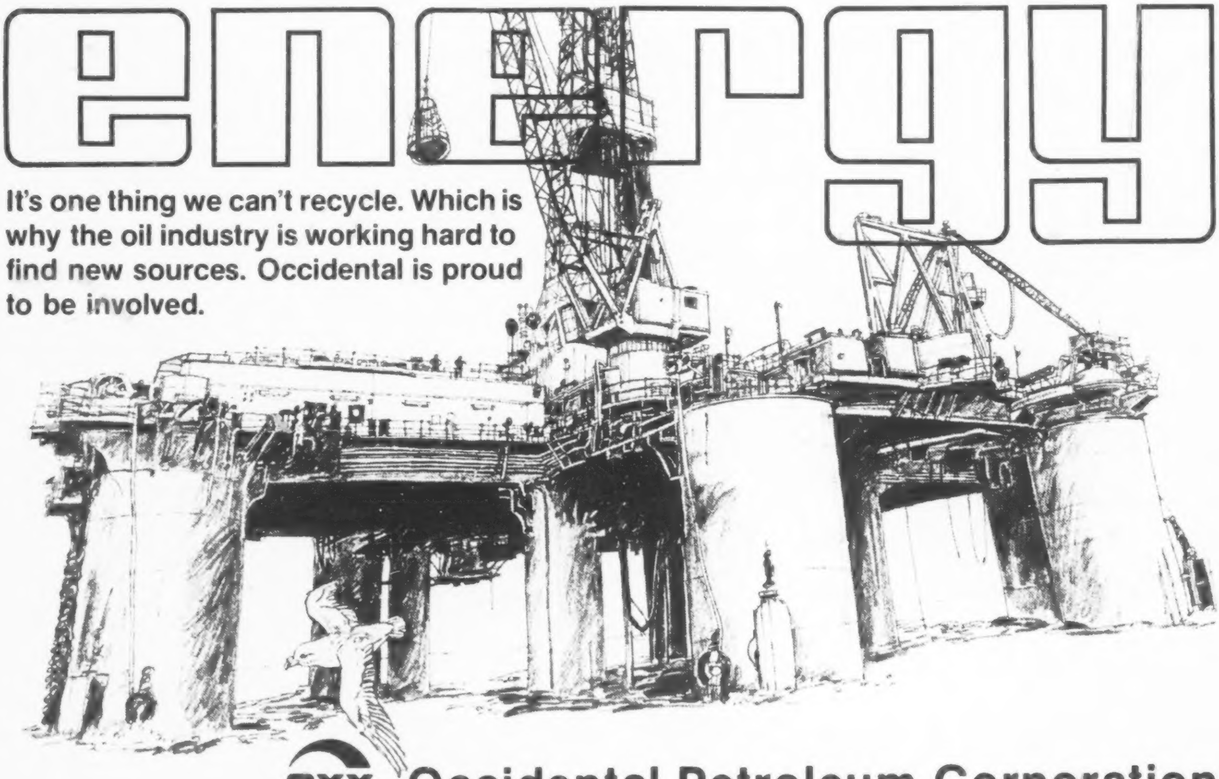
Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Republic of Texas	16.7%	6	16.3%	0.4	13.1%	9	13.9%	6.9%	22.7%	5	14.8%	9
Valley Natl Bk Ariz	16.7	7	18.8	0.0	19.1	3	15.0	8.6	14.7	25	14.6	10
Michigan National	16.5	8	13.1	0.4	10.7	12	13.2	6.7	15.4	20	12.5	16
First City Bancorp	16.2	9	17.9	0.2	16.0	5	14.6	8.1	24.7	3	13.9	12
National City	16.1	10	14.5	0.0	14.2	2	16.5	9.7	18.3	8	10.4	19
Continental Illinois	15.9	11	16.4	0.4	13.1	11	13.3	5.0	19.5	6	12.2	17
Seafirst	15.7	12	15.4	0.2	13.9	4	14.6	6.8	18.1	9	13.2	14
Crocker National	15.6	13	15.2	0.4	11.6	26	11.1	5.0	15.9	18	13.1	15
Northwest Bancorp	15.3	14	15.7	0.5	11.3	20	12.1	8.1	17.2	12	12.1	18
Security Pacific	15.3	14	16.6	0.3	13.4	15	12.9	5.8	16.8	15	15.5	3
Western Bancorp	15.1	16	16.0	0.5	12.6	18	12.1	6.6	13.9	28	14.3	11
Rainier Bancorp	15.0	17	13.9	0.2	12.9	14	13.2	7.1	17.5	11	16.0	1
First Bank System	14.9	18	15.3	0.4	12.3	19	12.1	8.5	15.3	21	10.0	21
Wells Fargo	14.8	19	13.8	0.6	10.1	23	11.2	4.8	16.7	16	15.2	6
Mercantile Bancorp	14.3	20	16.3	0.4	12.5	24	11.2	8.2	17.0	14	6.5	32
Pittsburgh National	14.0	21	15.3	0.2	13.2	13	13.2	8.1	16.3	17	9.8	22
Wachovia	13.7	22	13.7	0.1	13.0	16	12.7	8.3	11.7	32	10.4	19
NCNB	13.7	23	15.8	0.7	11.2	29	9.6	6.8	12.9	30	9.0	26
Manufacturers National	13.5	24	12.3	0.2	10.7	22	11.4	6.3	14.3	27	8.8	27
DETROITBANK	13.2	25	10.6	0.1	9.9	17	12.6	6.4	14.4	26	9.3	23

Note: Explanation of Yardsticks calculations on page 49.

energy

It's one thing we can't recycle. Which is why the oil industry is working hard to find new sources. Occidental is proud to be involved.



OXY Occidental Petroleum Corporation
10889 Wilshire Boulevard, Los Angeles, California 90024

Banks

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Natl Detroit	12.6%	26	11.8%	0.2	10.5%	25	11.1%	7.4%	10.8%	35	9.0%	25
Girard	12.1	27	14.6	0.6	11.2	32	9.2	7.3	9.6	38	6.9	30
Philadelphia Natl	12.0	28	12.7	0.4	10.3	30	9.5	6.1	12.0	31	4.9	34
First Natl Boston	11.7	29	15.4	0.7	11.0	37	8.3	4.6	17.8	10	6.9	29
Mellon National	11.6	30	13.0	0.5	9.8	27	9.9	7.2	11.4	33	9.0	24
AmeriTrust	11.5	31	11.0	0.0	11.0	21	11.6	10.0	13.7	29	8.0	28
Southeast Banking	11.5	32	16.4	0.6	11.5	34	8.7	7.9	17.1	13	4.3	36
BanCal Tri-State	11.3	33	11.3	0.4	9.2	35	8.6	5.1	7.9	40	15.5	5
Northern Trust	11.2	34	11.0	0.2	9.7	28	9.7	7.1	10.8	34	6.2	33
Harris Bankcorp	10.7	35	10.2	0.2	9.3	31	9.4	4.9	14.7	24	4.4	35
First Chicago	10.5	36	5.8	0.3	5.2	33	8.7	2.1	15.1	23	3.4	37
First Wisconsin	10.2	37	12.9	0.4	10.4	38	8.2	5.1	10.4	36	6.9	31
BancOhio	9.0	38	2.2	0.0	2.3	36	8.4	1.3	15.3	22	2.2	38
Citizens & Southern NB	7.1	39	14.9	0.1	13.8	39	6.8	7.5	8.1	39	–7.5	39
Fidelcor	3.6	40	6.0	0.6	4.5	40	3.3	2.7	6.3	41	–22.6	40
First Pennsylvania	def	41	def	0.9	def	41	1.7	def	10.3	37	P–D	41
Medians	**14.0**		**14.9**	**0.4**	**11.5**		**11.6**	**6.9**	**15.3**		**10.0**	
Industry medians	**13.7**		**15.2**	**0.4**	**11.5**		**11.2**	**6.7**	**15.4**		**9.8**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

the U.S.—a move that could change the banking world.

The banking world is also being changed by another Citicorp innovation: its plan to establish a bank in South Dakota. (This is permissible under Douglas because the state legislature invited Citicorp to come in.) The new bank will accept deposits outside New York, but its main function will be to distribute credit cards. The reason: South Dakota has no usury limits on bank card lending. The bank's plan jarred New York in November into raising usury ceilings on credit card balances to 25%, but Citicorp had already committed itself to the move.

In September the nation's largest banking company announced a new savings account aimed squarely at the money market funds. Depositors not only can write checks but can also get yields on their deposits pegged to the Treasury bill rate. If the account is successful, the industry will have an effective way to compete for the $80 billion sitting in the funds.

This is crucial, since interest rates and chaos in the financial markets have prompted the nation's banking system to take the biggest gamble in its history by attempting to replace the bond market as a supplier of capital to business. Unfortunately, the timing could not be worse. The banks have been stretched to the limit by this year's huge credit demands, and a massive shakeout could impair confidence in the entire system.

Such fears were underscored as long ago as late 1979 when Comptroller of the Currency John Heimann warned that an undisclosed number of institutions could fail. The comptroller's office later indicated there were 250 problem banks. The truth is the banking system is less able to take over the bond market than ever before.

ST NATIONAL
TILLIE

First National of Atlanta

Tillie the Teller's cash machine.

Today the ratio of bank equity to assets has dipped below the worrisome level of 4%. This means that every $1 of equity supports more than $25 of loans and investments. And for every $1 of core deposits, the banks carry more than $2 of purchased money that can be withdrawn on short notice. High interest rates have also cut margins to dangerous levels.

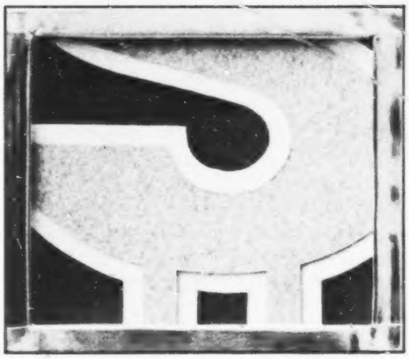
Despite the risks, many commercial banks are betting that if short-term bank loans replace long-term bonds, the defection of blue-chip borrowers—the industry's recent number one problem—will be solved. Throughout the 1970s, corporations bypassed the U.S. banking system in favor of commercial paper, the business equivalent of an IOU, and foreign borrowing. Consequently, U.S. banks have been forced to focus on such alternatives as consumer lending and real estate. Lately, these have become increasingly unprofitable as interest rates have risen.

In this brave new banking world, only one thing is certain: Commercial banks will not transform themselves into investment bankers by becoming underwriters of corporate securities. The Glass-Steagall Act, passed in 1933, separates commercial banking (taking deposits and making loans) from investment banking (underwriting and issuing securities).

The industry knows full well that neither Congress nor the public would ever tolerate open violations of Glass-Steagall. Moreover, bankers' hopes for repeal were dashed by the passage of the Deregulation & Monetary Control Act, which left Glass-Steagall unscathed. That battle was so bloody that it could be decades before Congress touches financial reform again.—**Thomas C. O'Donnell**

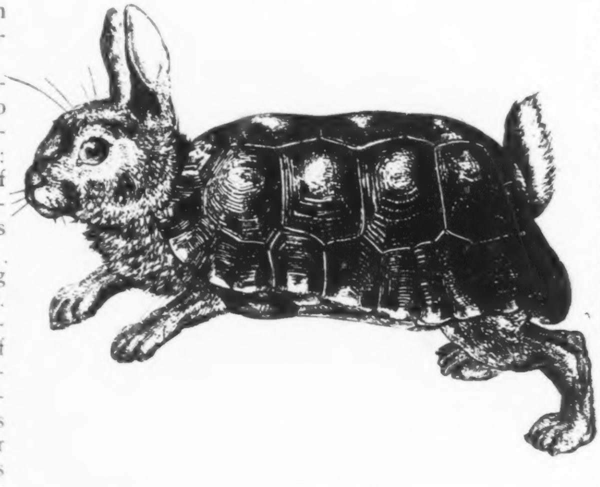
Inflation has touched off a revolution in one of the U.S.' oldest, stodgiest and most unchanging industries.

Insurance



THE LIFE INSURANCE INDUSTRY HAS FINALLY REALIZED that inflation is not going to disappear tomorrow," says Thomas C. Simons, chairman of Capital Holding Life. That realization has touched off a quiet revolution that has already transformed a once-stodgy industry into one of the fastest-changing in the nation.

The revolution began in March when eye-popping interest rates shook the industry to its foundations. For a time, life companies almost ran out of money. This near-disaster occurred because such companies make commitments to lend well in advance and, gambling that rates would soon peak, they became heavily committed in late 1979 and early 1980. Interest rates skyrocketed, however, and the industry lost its bet. Individuals began borrowing billions on their policies at rates of 5% to 8% so they could capture high money market yields. At the same time, institutional clients—also wanting to nail down record-high yields—delayed payment of premiums. Only the sharp, sudden drop in interest rates saved several companies from going under.



Yet bad as it was, this temporary cash-flow crisis was not so dire a threat to the industry's liquidity as two long-term trends: the drastic decline in sales of whole-life policies and the complete defection of young adults from the insurance market.

Whole-life has been nothing less than the industry's lifeblood. Policyholders in effect build savings accounts with a portion of their premiums, though withdrawals are not made until policies mature, and life companies use the money in the interim for investments. "The industry has been living off that money for years," says Myron Picoult, an analyst with Oppenheimer & Co. But these days, because of inflation, investors are reluctant to supply that money. Instead they prefer to buy cheaper term insurance and invest (or spend) the savings themselves.

To counter this trend, some life companies are trying to lure investors back with inflation-indexed products. Typical is the Aeconomaster Policy, offered by Aetna Life & Casualty, a stock company, which features adjustable premiums based on projected changes in cost, investment and mortality experience. Another example is the Adjustable Life Policy offered by Bankers Life, a mutual company, which the policyholder can increase every third year, based on changes in the Consumer Price Index. About 40 companies now offer such policies, which were unheard of as recently as two years ago.

And many life companies are trying to sell more group insurance. Group sales now account for 33% of all life sales, up from 25% ten years ago. Unfortunately, group customers consist of highly sophisticated institutions that almost always prefer low-cost term to whole-life policies, so the cash shortage remains. "Still, selling term is better than selling nothing at all," says one life executive.

By far the most revolutionary change in the industry is the movement of life companies into the property/casualty business. Until recently, insurance was divided into two halves, each with roughly $90 billion in annual premiums—the volatile and risky P/C industry and the staid but secure life industry. But now life companies are moving into P/C themselves, starting up P/C divisions and taking over P/C companies. Inflation once again is the driving force. Property/casualty premiums rise as the value of the insured object inflates, so inflation has not only made P/C companies grow rapidly, it has made them extremely profitable as well.

Although such moves have eased the industry's money shortage, they have not solved an equally severe problem: reinvesting that money at a profit. The pressure to do that—to find new ways of lending at a profit—is creating the most revolutionary changes of all. Among them: the death of the fixed-rate, 30-year loan, traditionally the insurance industry's principal investment vehicle. Leading the way has been Equitable Life Assurance Society, the third-largest life insurer, which announced in August that most new loans would have indexed rates or some other inflation hedge.

Other companies have been following Equitable's lead and have been developing similar investment vehicles. Among them:

- Equity kickers—usually warrants on common stock or conversion privileges on preferred stock.
- Adjustable interest rates—typically renegotiated every three to five years with a cap on upward and downward movements.
- Floating principals—which carry a fixed rate but a principal whose value is indexed to the GNP deflator or an industrial commodity such as timber or oil.
- Automatic interest-rate adjustments—with rates tied to an outside indicator such as the prime rate, discount rate or Consumer Price Index.

Will such innovations be enough to end the inflation-caused squeeze on insurance industry margins? No one knows the answer. Only this much is certain: The revolution has just barely begun.

"The insurance industry will be radically different in 1990 from what it is today," says analyst Picoult. "The biggest change is that there will be fewer, bigger players." Today there are about 1,800 life companies in the U.S. Many observers expect that number to shrink to about 1,000 by the end of the coming decade.

Shrinkage in the P/C business will probably be as severe. Increasing competition has made price-cutting on premiums commonplace, and many P/C companies may not be able to survive the pressure.

"We're suffering from overcapacity brought on by high profitability over the past three years," says B.P. Russell, chairman of Crum & Forster, a P/C company. "Underwriting losses are already starting to build up." As a result, a combination of liquidations and mergers is expected to reduce the number of P/C companies—currently almost 3,000—by one-third or even more.—**Thomas C. O'Donnell**

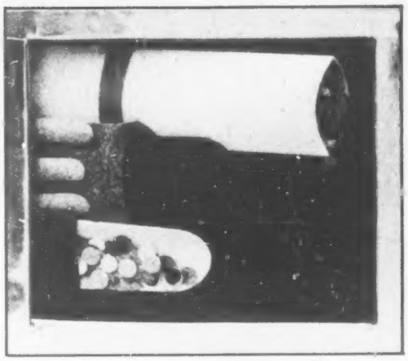
Insurance

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Life												
American Family	26.3%	**1**	13.7%	0.2	12.1%	**1**	25.0%	4.8%	38.2%	**1**	19.7%	**2**
Combined Internatnl	21.8	**2**	20.8	0.0	20.5	**2**	21.3	12.5	12.9	**6**	13.0	**9**
Provident Life & Acc	18.5	**3**	16.2	0.0	16.2	**3**	18.5	7.9	7.5	**14**	17.3	**5**
USLIFE	16.5	**4**	14.5	0.6	11.2	**6**	13.4	10.6	11.9	**7**	11.1	**12**
Business Men's Assur	16.1	**5**	16.1	0.1	15.6	**7**	13.4	10.7	6.7	**15**	38.8	**1**
Republic Natl Life	16.1	**6**	15.2	0.0	15.2	**4**	16.1	5.1	3.9	**16**	14.8	**6**
Gulf United	14.7	**7**	16.4	0.3	13.6	**11**	12.5	12.0	14.5	**4**	7.8	**16**
Jefferson-Pilot	14.0	**8**	13.7	0.0	13.2	**5**	13.8	12.1	10.4	**10**	12.5	**10**
Capital Holding	13.5	**9**	13.7	0.0	13.7	**8**	13.3	16.3	8.4	**13**	12.0	**11**
American Natl Ins	13.0	**10**	12.4	0.0	12.3	**9**	13.0	11.1	10.6	**9**	17.9	**3**
Liberty Natl Life	12.7	**11**	12.0	0.0	12.0	**10**	12.6	14.0	9.4	**12**	9.5	**14**
Washington National	11.9	**12**	13.4	0.0	12.0	**14**	10.4	4.0	20.5	**2**	9.2	**15**
PennCorp Financial	11.8	**13**	10.5	0.5	8.7	**15**	10.4	5.5	17.4	**3**	17.8	**4**
Equitable of Iowa	11.7	**14**	12.5	0.1	9.2	**16**	10.2	5.1	13.4	**5**	13.2	**8**
NLT	11.6	**15**	11.2	0.1	10.8	**12**	11.3	16.3	9.7	**11**	10.5	**13**
Nationwide	10.8	**16**	11.3	0.0	11.5	**13**	10.9	6.5	10.7	**8**	13.7	**7**
Medians	**13.8**		**13.6**	**0.1**	**12.2**		**13.2**	**10.7**	**10.7**		**13.1**	
Fire and casualty												
Mission Insurance	33.3%	**1**	30.3%	0.2	25.9%	**1**	27.3%	9.9%	31.4%	**1**	38.3%	**1**
GEICO	27.4	**2**	35.6	0.5	18.4	**11**	13.8	8.1	4.3	**12**	D–P	
U S Fidelity & Gty	26.3	**3**	23.7	0.0	23.8	**2**	26.4	11.0	15.5	**8**	28.8	**4**
Ohio Casualty	25.6	**4**	20.8	0.0	20.5	**3**	25.0	8.5	18.2	**4**	21.4	**9**
Kemper	24.1	**5**	20.2	0.0	20.3	**4**	23.9	6.2	21.1	**3**	27.3	**5**
General Re	22.9	**6**	22.3	0.0	21.8	**5**	22.0	15.0	17.4	**5**	25.6	**6**
Hanover Insurance	22.1	**7**	20.9	0.0	20.6	**6**	21.1	7.4	15.7	**7**	24.8	**7**
Crum & Forster	22.1	**8**	22.7	0.0	21.9	**7**	21.0	8.3	14.6	**9**	22.6	**8**
NN	20.5	**9**	22.0	0.3	16.6	**8**	19.1	7.2	13.6	**10**	32.7	**2**
Republic Finl Svcs	20.2	**10**	16.5	0.3	13.7	**9**	15.9	5.7	16.8	**6**	16.3	**11**
Continental Corp	15.2	**11**	13.1	0.0	13.1	**10**	14.2	7.3	11.3	**11**	16.8	**10**
Berkshire Hathaway	14.8††	**12**	10.9	0.1	10.1	**12**	12.0††	8.1	30.6‡	**2**	29.8‡	**3**
Medians	**22.5**		**21.5**	**0.1**	**20.4**		**21.1**	**8.1**	**16.3**		**25.6**	
Multiple line												
Old Republic Intl	33.6%	**1**	19.1%	0.1	21.3%	**1**	33.1%	8.4%	23.2%	**2**	37.5%	**1**
American Intl Group	25.1	**2**	21.5	0.1	20.3	**3**	23.1	10.4	21.6	**3**	24.1	**3**
Colonial Penn Group	25.0	**3**	17.7	0.0	17.7	**2**	24.8	7.5	23.2	**1**	16.5	**10**
St Paul Companies	22.5	**4**	15.8	0.2	14.0	**5**	19.9	7.6	15.1	**6**	21.3	**6**
CNA Financial	22.4	**5**	21.7	0.2	12.8	**14**	11.5	5.6	7.6	**14**	D–P	
Farmers Group	21.3	**6**	19.1	0.0	18.8	**4**	20.3	22.8	14.3	**7**	19.4	**8**
Aetna Life & Casualty	20.8	**7**	17.9	0.1	16.4	**6**	18.5	4.0	15.2	**5**	23.7	**4**
Safeco	20.0	**8**	16.6	0.3	13.9	**9**	15.8	9.8	13.5	**8**	25.9	**2**
Chubb	19.0	**9**	19.1	0.1	[illegible]	**7**	17.4	8.3	11.2	**13**	21.3	**6**
American General	18.7	**10**	16.3	0.1	14.7	**11**	14.6	7.5	11.9	**11**	21.9	**5**
Connecticut General	16.9	**11**	15.9	0.0	15.6	**8**	16.3	5.8	13.1	**9**	15.5	**11**
Travelers	16.5	**12**	16.2	0.0	15.6	**10**	15.6	4.4	11.2	**12**	19.1	**9**
INA	15.4	**13**	17.8	0.3	14.9	**12**	13.9	5.3	16.7	**4**	15.2	**12**
Lincoln National	13.0	**14**	13.0	0.1	11.0	**13**	11.8	5.9	13.1	**10**	13.5	**13**
Medians	**20.4**		**17.8**	**0.1**	**15.6**		**16.9**	**7.5**	**13.9**		**21.3**	
Industry medians	**18.9**		**16.4**	**0.1**	**15.1**		**15.9**	**8.0**	**13.6**		**18.5**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
††Three-year average. ‡Four-year growth. D-P: deficit to profit; not ranked.

If Jack Meyer has any say about it, a national health scheme will be designed to get suppliers competing for a share of the market.



Health care

FOR SOME YEARS NOW THE HEALTH INDUSTRY has kept a beady eye on the national health plan supported by Senator Edward Kennedy, among others. Ideological qualms aside, there has been both lip-smacking interest in the idea of an openhanded government footing the health care bill and considerable alarm at the thought of price controls.

Forget Kennedy's plan. The Republicans have taken the presidency and with it, for the first time in a generation, control of the Senate as well. Thus, any health care legislation that emerges from Congress over the months ahead will clearly have a very different cast from what was expected. Even without any legislation, the nation's health care expenditures are certain to rise. Today they account for 9% of the GNP as opposed to 4.5% three decades ago. That 9% amounted to $244 billion last year, $70 billion of it coming out of taxpayers' pockets for Medicare-Medicaid programs and tax subsidies. And the commitment is sure to rise. According to economist Jack A. Meyer of the American Enterprise Institute, a 37-year-old Washington think tank that is becoming to conservative policymakers what Brookings has been to liberals, government programs will soon account for *half* of every dollar spent on health care. Because of the way government does business, such outlays will inflate even more the other half of the bill that taxpayers and their employers fork over to the private sector—insurers, doctors, hospitals and laboratories.

Jack Meyer of the American Enterprise Institute

Using the market to cure the health care mess.

A Republican victory does not necessarily put health legislation on the shelf for the foreseeable future. Meyer's views on health care had made headway on Capitol Hill before the November election, and Republican congressional leaders like Robert Dole, the new Senate Finance Committee chairman, and Representative David Stockman of Michigan had in the works their own counterproposals to Democratic plans for national health insurance cum price controls. Some Reagan advisers favor a catastrophic insurance program. But some congressional prognosticators believe that Meyer's views come closer to suggesting the direction any Republican-inspired legislation is likely to take. Which is why FORBES dropped in to chat with him a while back about his views on the health care situation. We asked:

What kind of national health insurance plan makes sense to you?

One option is to develop a voucher system scaled to income, which would phase out at, or a little bit above, the poverty line. That voucher would be good at the plan of your choice. The government would say to a family or the single person: "Based on our studies, a person in your demographic situation could get an acceptable package of health insurance at a cost of, say, $120 a month. We realize you have zero income right now, so we will pay you $120 a month to be applied to the plan of your choice. And if you choose a more costly one, you pay the difference. If you take a job and begin to earn some money, and you're still below the poverty line or near it, then we're going to scale back that subsidy gradually as you earn more money."

But not, I assume, in line with the increase in income. Otherwise, like some of the welfare subsidies, you'll destroy any incentive to earn more money.

That's correct. We wouldn't want benefit reductions to be, in effect, 100%, which would result if you removed benefits from workers on a dollar-per-dollar basis. The important thing is that as the worker increases his earning power, government financial support would be reduced. Just how much it is reduced depends on how you want to strike the balance between preserving work incentives and holding down federal outlays.

What you're proposing isn't really a national health insurance program, as most Americans wouldn't be covered.

The voucher system itself would leave largely unaffected the great majority of people in this country. But costs for the others would be held down by stopping the open-ended nature of federal tax subsidies. By placing a limit on the amount of tax-free dollars that employers may contribute to health plans and rebating the savings to workers who select an efficient health plan, we could hold down cost increases without a national health insurance program. What I object to in the national health insurance plans is not the goal of helping the poor and the near-poor who are now ineligible for federal programs or inadequately served by them, but rather the fact that the plans would link expanded benefits with an economywide system of controls, which I believe would adversely affect the quality of care for all of us. And they would empower the Department of Health & Human Services, through a variety of new boards and institutes, to determine what the budget should be for health spending. This would inevitably lead to shortages of qualified personnel and cutbacks in services for millions of Americans.

Your abbreviated program would certainly avoid that, but isn't it still going to increase costs by abruptly exploding the market?

Quite the contrary. Basically the idea is that consumers would put pressure on insurers who would in turn pressure providers [hospitals, doctors, labs] because insurers would have to compete for the consumer's dollar more than they do at present. For instance, if insurer A is charging $160 a month for

Health care

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Shaklee	44.3%	1	15.5%	0.4	10.8%	1	27.5%	2.9%	31.5%	3	40.0%	1
Humana	23.7	2	33.6	2.7	10.7	9	9.2	5.8	39.8	1	34.4	2
Abbott Laboratories	22.0	3	22.5	0.2	18.0	3	17.0	10.5	17.4	7	23.7	5
Bausch & Lomb	21.1	4	25.0	0.2	21.3	4	16.6	9.2	13.3	12	24.7	3
Johnson & Johnson	19.3	5	19.5	0.0	18.7	2	18.7	8.4	16.7	8	14.7	10
Hospital Corp of Am	18.7	6	18.0	0.9	9.7	11	8.9	6.7	27.6	4	23.5	6
Natl Medical Entrprs	17.4	7	21.8	1.2	11.5	12	8.2	4.9	38.7	2	24.6	4
Baxter Travenol Labs	17.0	8	16.6	0.3	12.9	5	13.0	9.1	21.5	6	21.9	8
Amer Medical Intl	16.2	9	20.9	1.1	11.6	10	9.0	6.0	22.1	5	21.9	7
Amer Hospital Supply	15.2	10	16.5	0.3	13.7	6	12.9	5.7	16.0	9	16.2	9
Becton, Dickinson	14.5	11	14.4	0.2	12.2	7	12.1	6.9	15.1	10	13.1	11
G D Searle	13.5	12	19.0	0.7	13.3	8	10.0	9.0	13.3	11	–2.2	12
Industry medians	**18.1**		**19.3**	**0.4**	**12.6**		**12.5**	**6.8**	**19.5**		**22.7**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49

the same package of benefits that his competitor, insurer B, can deliver for $120, suddenly you or I, who work for a company that is offering a choice between these plans, can get a rebate if we choose the low-cost plan—or have to ante up if we choose the high-cost plan—then insurer A is going to think twice about charging $160, particularly if he isn't really offering anything more to the consumer.

The insurer then puts pressure on the doctor, clinic, hospital?

Exactly. Probably you will find that the reason insurer A has to charge $160 for the same package insurer B is charging $120 for is that A is practicing the "everybody wins" approach characteristic of Medicare and Medicaid and some of the Blue Cross-Blue Shield plans. By "everybody wins," I mean insurers who reimburse the inefficient on a like basis with the efficient providers, so everybody is reimbursed provided he or she is not shown to have made a fraudulent claim.

"I think we should tinker with existing law in a sensible, fairly undramatic fashion and try to achieve our goals without thinking about passing a major new landmark piece of legislation."

So the voucher scheme will not only benefit people under the plan, it ought to push downward on the costs all of us are subjected to?

Exactly. We will never get to a more efficient solution as long as the third-party payer, whether it's your local Blue Cross-Blue Shield society or Medicare or Medicaid, is willing to say to doctors around the market area: "I will reimburse you irrespective of whether you're careful not to put a patient in the hospital on Friday for a procedure that starts on Monday, whether you're willing to go along with Mrs. Jones' request to stay an 11th day to catch her breath when she's fine after the 10th day and ready to go home, whether you're willing to run seven tests of the same type when it's clear after three that there's nothing wrong."

Are there health plans like this in existence already?

A close model of what I'm talking about is the federal employee health benefits program. A federal employee gets a choice of a more or less expensive plan and part of the cost of the plan is deducted from his or her paycheck. I think that's beginning to go in the right direction. Similarly, there are certain regions of the country that seem to have done more experimentation in this area: Hawaii, California, Minnesota. The first two occur in large part because of the strength of Kaiser Permanente in those areas and the competition they've created. Kaiser sponsors a health maintenance organization [an HMO—a clinic or group practice arrangement to which a consumer pays a fixed amount every year in return for all medical care].

Is there any way of encouraging competition without creating another federal program?

I think there is, and that way would involve the employers of this country beginning on an experimental basis to incorporate these principles into the way they do business. There's really nothing that is stopping employers under present laws from surveying their work force, coming up with an estimate of what it would cost on an actuarially determined basis to provide what they believe is a minimally acceptable—or what their work force believes is a minimally acceptable—insurance package and saying to their workers: "Look, we're only going to pay X amount of dollars a month into the kitty. You can take it to the plan of your choice." This would work better in some areas than others. There aren't, for example, as many HMOs in Philadelphia as there are in Los Angeles. But I believe employers can begin to take a hardheaded attitude. This process would be stimulated by changing the open-ended nature of federal subsidies.

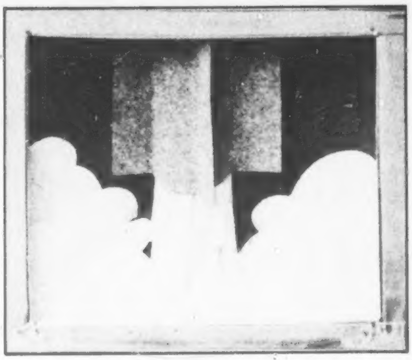
But don't you still have to deal with the impact of, for example, Medicare-Medicaid reimbursement policies, since they account for such a large part of the health care dollar? And doesn't that mean legislation?

Yes, but I think we should tinker with existing law in a sensible, fairly undramatic fashion and try to achieve our goals without thinking about passing a major new landmark piece of legislation. All too often, changing the law means coming up with something some senator can put his name on.

As a practical political matter, though, isn't that a key element?

That's why I would concede to you that some of the proposals like the ones I support aren't very sexy at first blush. They don't have tremendous political appeal. Who gets votes reforming Medicare policy? This is the stuff of experts and it's not very dramatic. But it seems to me there's a lot to be gained from doing it.—**Ann Hughey**

The Japanese may be moving up in the aerospace-defense market, but the Washington bureaucracy may finally be pulling out.



Aerospace and defense

THE LAST TIME THAT MOST AMERICANS took note of the Japanese aircraft industry was on Dec. 7, 1941. The Japanese Zero, built by Mitsubishi, dominated the skies over Pearl Harbor that day as it would again and again until late in World War II, when U.S. fighter aircraft technology finally caught up. Since the war, however, the Japanese aircraft industry has receded into the dimly lit background of an industrial complex built around the export of steel, electronics and automobiles—but not aircraft. In 1981 that perspective is changing as the Japanese aircraft industry gears up for another surprise takeoff.

Compared with the U.S., and even the European aircraft industries, the Japanese industry is tiny. Last year total aerospace sales for the half-dozen or so companies that form the core group of the Japanese industry (Mitsubishi Heavy Industries, Kawasaki Heavy Industries, Fuji Heavy Industries, Shin Meiwa Industry, Japan Aircraft and Ishikawajima-Harima Heavy Industries) amount to only about $1 billion. The sale of aerospace components was little more than incremental income for these large companies, which are much more heavily involved in other industrial sectors.

It was predictable, however, that the Japanese industry would not remain satisfied with its small sideline in aerospace for long. Commercial aircraft production is the hottest aerospace market of the 1980s. As the old commercial jets of the 1960s and 1970s become more obsolete every day, a huge $128 billion replacement market has materialized—some 6,000 jets slated to be purchased by 1990. Although order-taking has slowed considerably for the American Big Three—Boeing, Lockheed and McDonnell Douglas—because of sagging airline profits, no one doubts that the replacement market of the 1980s will get off the ground eventually. Says a confident E.H. (Tex) Boullioun, president of Boeing Commercial Airplane Co., "In time those orders will come."

The Japanese see it the same way. At the encouragement of the Japanese Ministry of International Trade & Industry (MITI), Japanese companies are slowly but deliberately focusing on this market. In part, the industry is honing its teeth on military projects. In 1978 the Japanese government settled on the McDonnell Douglas F-15 fighter and the Lockheed P-3C antisubmarine aircraft as the core of its self defense forces. By 1987, 100 F-15s and 45 P-3Cs worth over $5 billion are scheduled for delivery—most of them built with the help of Japanese industry working under license agreements.

More to the point, a consortium composed of Mitsubishi, Kawasaki and Fuji have a $75 million stake as a major subcontractor for Boeing's new 767 jetliner scheduled for 1982 delivery. Like Boeing, the Japanese also have recently concluded a 50-50 joint venture with Rolls-Royce to develop a new medium-size, high-bypass, fuel efficient jet engine by 1988. The Japanese are also discussing the possibility of building a 125-to-150 seat aircraft with either Boeing or the Dutch aircraft builder Fokker, and in the Fokker project at least, it is not inconceivable that the Japanese may be in control. Indeed, control of all these projects is firmly in the hands of MITI. MITI supports the F-15 and P-3C programs, put up $75 million in interest-free matching funds to land the Boeing 767 contracts, is underwriting three-quarters of the nonrecurring developmental costs of the Rolls-Royce engine project, and is likely to absorb a major part of the expense of any new airliner transport project.

The pattern of this unsettling picture has only recently begun to sink in on the U.S. aerospace industry, which accounts for $12 billion in export sales in 1980, making jet aircraft the U.S.' most important export item after combined agricultural products. "The competition may well be good and creative," says a report delivered in September to the U.S. House of Representatives Ways & Means subcommittee on trade. "But it is also likely to eat into the market share held by the American Big Three."

Only ten years ago U.S. aircraft builders supplied more than 96% of the world's commercial market. Today they supply

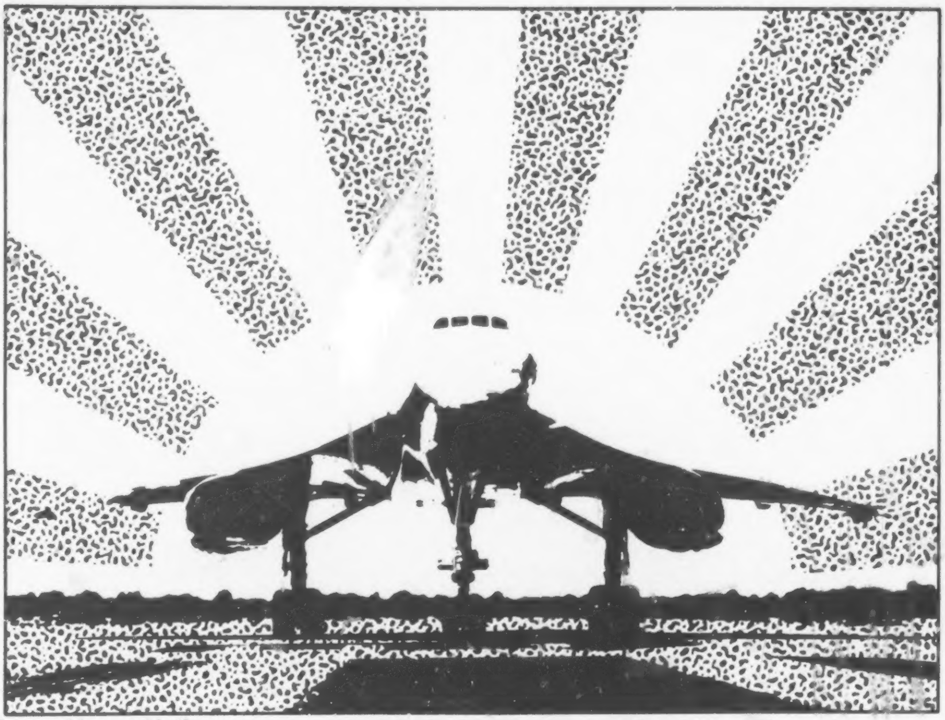
Aerospace and defense

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Fairchild Industries	25.7%	**1**	35.7%	0.1	24.3%	**6**	18.5%	6.0%	18.1%	**3**	42.6%	**2**
Lockheed	25.0	**2**	2.8	1.7	5.0	**16**	8.5	0.3	5.2	**16**	8.3	**13**
Northrop	25.0	**3**	21.6	0.1	19.4	**2**	21.2	5.8	16.1	**6**	32.2	**3**
Todd Shipyards	24.4	**4**	21.0	0.5	16.1	**14**	10.9	2.4	14.9	**7**	D–P	
Gates Learjet	23.8	**5**	19.3	0.2	16.4	**4**	20.1	4.1	25.4	**1**	22.7	**8**

Note: Explanation of Yardsticks calculations on page 49.
D-P: deficit to profit; not ranked.

only 46%, and they will have to fight to hold that. Already facing a tough European competitor in Airbus Industrie, Boeing Chairman T.A. Wilson says the emergence of the Japanese aircraft industry is no mirage. "The Japanese are respected associates now," he observes. "And in the future I expect to see them as respected associates or viable competitors." At Lockheed, the head of the division that builds the L-1011 TriStar agrees. "They would make good partners for anyone," says E.M. Cortright. "I think the interpretation that they're ready to take off is a good one."



Even more momentous for the U.S. aerospace industry than the emergence of Japanese competition would be the disappearance of the Washington bureaucracy that has made defense contracting a nightmare. And in 1981 that too may happen. A 1981 defense budget of $160 billion, with an additional billion or two likely to be added once Ronald Reagan takes office, has made defense contractors one of the most popular plays on Wall Street. Optimism pervades the industry from Rockwell International, with its buoyant aerospace and electronics divisions, to Raytheon, with its booming missile and electronic warfare components business, to Grumman and Northrop with their component and aircraft contracts.

But in 1981 the amounts spent on defense—though large—may matter less than the way those contracts are written. The Reagan Administration hopes to dismantle a lot of red tape that has made defense spending in recent years a tortuous project for both government and industry. The goal is to cut weapons-acquisition time in half. In the early 1970s the time it took to get a weapon from the drawing board into the field was only 4 years, *vs.* 10 years to 12 years today. To help reach that goal the Reagan Administration is likely to encourage multiyear contracts for defense spending.

Says John W. Dixon, chairman of electronic weapons giant E-Systems of Dallas, "The year-by-year approach to defense contracts is just appalling. If we had multiyear contracts we could do the kind of resource planning that would speed up acquisition time." If Dixon gets his wish the 1981 defense industry boom may be the beginning.—**Michael Kolbenschlag**

Aerospace and defense

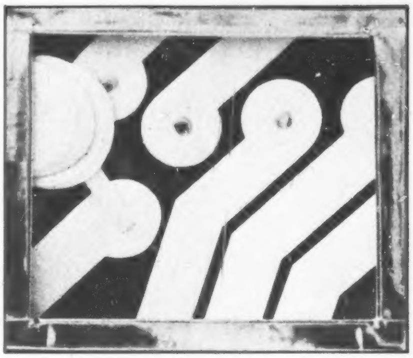
Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Boeing	23.7%	6	31.3%	0.0	27.0%	3	20.5%	6.4%	13.6%	10	46.3%	1
Raytheon	22.7	7	23.6	0.1	27.4	1	21.6	5.6	14.6	8	24.2	6
E-Systems	21.9	8	11.9	0.4	10.3	5	19.3	3.2	14.3	9	26.3	4
Wyman-Gordon	20.0	9	17.8	0.2	14.5	7	15.7	5.7	16.7	5	23.4	7
Thiokol	18.5	10	18.2	0.1	12.9	9	13.8	5.6	12.6	12	18.0	10
United Technologies	18.5	11	16.7	0.4	11.6	10	12.9	3.2	22.8	2	24.5	5
Cessna Aircraft	17.2	12	10.3	0.1	9.2	8	13.8	2.8	17.6	4	15.1	11
Rockwell Intl	15.7	13	18.6	0.3	14.1	13	11.3	4.1	11.8	13	10.5	12
General Dynamics	15.5	14	22.9	0.1	17.5	12	12.4	4.4	13.5	11	19.0	9
McDonnell Douglas	13.1	15	10.4	0.1	10.4	11	12.5	2.6	9.6	14	7.6	14
Grumman	12.8	16	8.6	0.8	8.2	15	9.0	1.7	8.9	15	D–P	
Rohr Industries	1.0	17	1.0	1.2	4.8	17	2.4	0.2	0.4	17	P–D	15
Industry medians	**20.0**		**18.2**	**0.2**	**14.1**		**13.8**	**4.1**	**14.3**		**22.7**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. D-P: deficit to profit; not ranked.

One of America's staid old industries has learned a marketing lesson: If you can't sell them lemons, peddle lemonade.

Electrical equipment



EVERY CLOUD HAS ITS SILVER LINING. Take the cloud that rising electricity prices have put over America's electrical equipment industry. As prices soared, the growth in electric demand plummeted, and so did utilities' orders for new generating plants. That devastated one of the industry's key markets, which shows few signs of coming back to life soon.

That's the bad news. The good news is that the industry, composed mainly of staid, old-line companies, like Westinghouse and GE, has rallied with surprising speed, and discovered that soaring electric rates have given it a new product: the ultraefficient electric motor.

The new motors introduced about a year ago are selling like hotcakes—at least like what passes for hotcakes in the electrical equipment business. The new motors, carrying premium prices and higher-than-normal profit margins, are taking about 7% of the market for new motors, and General Electric's Van Williams, a senior vice president, expects them to be grabbing 10 times that much by the end of the decade: "It is almost inconceivable," he says, "that anyone would buy a standard motor if he can get an energy-saving motor."

"We can't keep them in stock," says Walter Stiffler of Reliance Electric, the big Euclid, Ohio motormaker gobbled up by Exxon in 1979. "The demand has outstripped our capacity." Reliance plans to meet the demand by converting some of its capacity to its new XE line sometime this year.

The new breed of electric motor isn't exactly your basic household item. "If you're thinking of buying an extra-efficient motor for your garage door opener, forget it," Stiffler says. The market is for industrial users of motors ranging from 1 to 150 horsepower for applications that involve almost-continuous operations. A sewage plant or a refinery is what he has in mind.

Take your basic 50 horsepower Reliance XE motor, about 100 times the horsepower of a typical basement sump pump. Reliance claims electricity use for a typical 50 horsepower motor is 41.2 kilowatts, but the improved XE motor of the same rating takes only 39.6 kilowatts. If you assume the motor runs 7,200 hours a year using electricity that costs a nickel a kilowatt-hour, the saving by using the XE motor would be $576 a year.

Reliance says its new motor reduces wasted power by about a third, and other manufacturers—Gould and GE, among others—make similar claims. Given the industry's antitrust problems, no one wants to be quoted about competitors' equipment. Indeed, people in the industry profess not to know how efficient other manufacturers' motors are.

The new line of energy-efficient motors offers a refinement of existing motor technology, rather than the dramatic breakthrough Exxon claimed to have made in mid-1979, when it announced it planned to take over Reliance to help reduce America's oil imports.

Howard Jordan, one of Reliance's high-ranking engineers, said work started on the new motor line in early 1978, before

Electrical equipment

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
AMP	26.9%	1	27.1%	0.1	23.6%	1	22.8%	11.5%	17.3%	6	22.4%	2
Square D	24.4	2	23.0	0.3	17.6	2	19.7	8.0	13.5	8	12.6	10
Crouse-Hinds	22.0	3	23.2	0.1	21.0	5	18.7	7.9	20.5	3	18.8	3
Emerson Electric	20.9	4	21.4	0.2	19.9	4	19.3	7.8	18.7	5	14.3	7
Copeland	20.8	5	22.5	0.2	17.8	6	18.2	5.2	11.4	9	15.0	6
General Electric	20.3	6	20.2	0.1	18.1	7	18.1	6.1	11.4	10	12.2	11
W W Grainger	20.0	7	17.5	0.0	17.2	3	19.5	5.8	19.2	4	18.4	4
Harvey Hubbell	16.7	8	17.6	0.0	16.6	8	16.3	7.4	14.1	7	10.0	12
Gould	15.7	9	11.0	0.6	7.9	11	12.0	3.9	24.6	1	12.7	9
Raychem	14.7	10	18.7	0.0	17.2	9	13.7	7.3	24.4	2	25.2	1
McGraw-Edison	14.1	11	10.3	1.3	5.5	10	12.7	2.4	11.2	11	12.9	8
Westinghouse Electric	13.9	12	17.8	0.2	15.2	12	11.5	4.9	5.0	13	16.4	5
Robertshaw Controls	10.2	13	8.6	0.4	6.7	13	8.2	2.7	10.7	12	7.5	13
Industry medians	**20.0**		**18.7**	**0.2**	**17.2**		**18.1**	**6.1**	**14.1**		**14.3**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Reliance was even a gleam in Exxon's corporate eye.

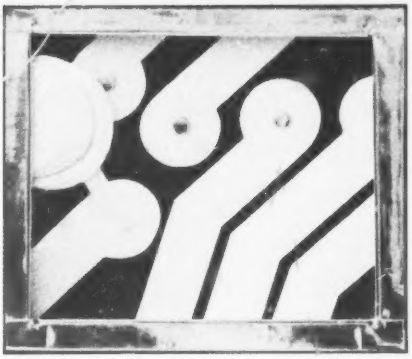
The new motors use more copper, a higher grade of steel and have design changes to reduce power use. The Exxon process, which uses micro-processors to reduce motors' loads when their full output isn't needed, is being further developed at Reliance. There's no way to tell when—or if—motors using that process will reach market. Because of a temporary consent agreement between Exxon and the Federal Trade Commission, the people who developed Exxon's process aren't allowed to deal with Jordan and his Reliance people, who developed the more efficient Reliance motor. The Reliance motor uses less power than earlier motors, but puts out a constant output.

GE's Williams says his company is working on new control technology, and hopes to mate it with the new, efficient motor line. "You match an energy-saving motor with the variable-speed drive, and you increase the savings," he says.

Williams is thinking not only of selling his new line of motors as new equipment but also of getting customers to throw out perfectly serviceable motors because the new ones cut electric costs so much that they pay for themselves in a short period. Reliance is trying to do the same. No one will say how successfully they've been able to push the "planned obsolescence" pitch. "We've gotten several cement companies to do that," Williams says, "and we're working with hospitals and motels to get them to do it, too."

The industry's new line of motors was produced without government threats, Department of Energy guidelines or congressional mandates. It shows once again that in a free economy the market system can do the job, provided people give it enough time. The industry should be proud of itself. Now that its generating plant business has turned into a lemon, the marketing men are helping salvage lemonade.—**Allan Sloan**

For the semiconductor maker it's a difficult choice: too much capacity to supply a recession, too little to meet a boom.



Electronics

SHADES OF 1974. THE ELECTRONICS INDUSTRY may give us a repeat performance of the last recession. Remember what happened then: a period of price-cutting and overcapacity, a cutback in industry expansion programs, then a tremendous upsurge in demand and too little capacity to meet it. Is it happening all over again?

Industrywide spending was up 60% in 1979, and then 45% in 1980; 1981 will be flat. And many firms are now quietly cutting capital spending for semiconductors. Advanced Micro-Devices cut $25 million out of a $75 million program that was to be up 20%, and Motorola trimmed about $15 million off its $195 million program last fall. Intel had been talking about spending $175 million this year; now it looks like $150 million. Less than three months after Hewlett-Packard announced plans to spend $350 million, it cut back its commitment by $60 million.

Not that these firms are openly announcing these cuts. They're simply spending less than they had planned. But if, as the industry is so fond of saying, uses for semiconductors in the Eighties are "as limited as your imagination," why ease off spending? Such companies protest that current cutbacks don't signal trouble ahead if the economy takes off as it did following

Getting the upper hand

Since the birth of the industry, electronics and computer manufacturers have demanded that they be able to buy most of the important parts in their equipment from at least two sources. They simply did not want to be captive to any single supplier, and they wouldn't buy otherwise. So technological innovators like Intel and Texas Instruments were forced to license their newest products, after years of research and staggering development costs, to competitors just to get devices on the market.

Intel's Moore

But all that may be changing. "Once people can copy your product, then it no longer pays to have poured all that money into development," says Gordon Moore, Intel's practical chief executive. With skyrocketing R&D costs, licensing is no longer a practical thing for firms like Intel. "If customers continue to insist on multiple sourcing, that could slow down the development of new devices," Moore continues. So far Moore is just talking, but for the first time partsmakers like Intel may have the size and financial clout to make such a threat stick.

Bruce Watts, senior electronics analyst at Keystone Custodian Funds in Boston, agrees. The research efforts are so expensive, he says, and take so long that the partsmakers will "have to charge what the market will bear."

The big computer and electronics companies here always worried about the possibility of a parts monopoly, and talk like that makes them shake in their boots. Even Watts admits that, if multiple sourcing were ended, it would help the margins of the larger, heavy-spending electronics firms, and put some real pressure on the firms that used to license.

But it could work another way too: Smaller semiconductor and electronics firms could run with what they are best at, leading to more specialization in the industry, and perhaps better use of research and development dollars.—C.M.

Electronics

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Teledyne	36.1%	**1**	27.7%	0.2	21.1%	**3**	23.4%	11.6%	11.0%	**20**	51.8%	**2**
Schlumberger	32.6	**2**	36.3	0.2	30.0	**1**	29.8	18.8	23.6	**4**	35.3	**5**
Intel	30.5	**3**	30.2	0.0	29.2	**2**	29.7	11.7	45.5	**1**	39.5	**3**
EG&G	26.1	**4**	38.8	0.1	26.6	**5**	21.0	4.2	25.1	**3**	26.6	**10**
Lear Siegler	24.2	**5**	22.4	0.6	14.4	**13**	14.2	4.6	13.2	**15**	34.0	**6**
Raytheon	22.7	**6**	23.6	0.1	27.4	**4**	21.6	5.6	14.6	**14**	24.2	**12**
Natl Semiconductor	22.4	**7**	29.1	0.4	20.1	**10**	16.8	5.4	36.1	**2**	26.9	**8**
Avnet	20.6	**8**	21.5	0.2	19.8	**8**	17.4	5.7	15.2	**13**	16.3	**18**
Harris Corp	19.8	**9**	19.7	0.4	13.2	**12**	15.1	6.1	15.3	**12**	31.9	**7**
Texas Instruments	19.4	**10**	21.4	0.0	21.1	**6**	18.6	5.3	17.6	**9**	18.0	**15**
Tektronix	19.3	**11**	18.8	0.3	15.4	**9**	16.9	8.4	23.5	**5**	26.7	**9**
Hewlett-Packard	18.7	**12**	21.4	0.0	20.6	**7**	18.1	8.7	23.3	**6**	22.7	**14**
GK Technologies	17.1	**13**	24.8	0.6	14.4	**18**	10.4	5.0	15.4	**11**	15.6	**20**
Perkin-Elmer	16.7	**14**	20.7	0.3	17.4	**11**	15.5	6.7	21.7	**7**	18.0	**15**
General Instrument	16.5	**15**	20.9	0.2	17.4	**16**	12.6	7.5	10.9	**21**	36.8	**4**
Motorola	15.8	**16**	17.3	0.3	14.4	**14**	14.0	5.7	12.9	**16**	16.0	**19**
Corning Glass Works	15.4	**17**	13.5	0.2	11.9	**15**	12.9	7.6	8.1	**23**	16.8	**17**
Beckman Instruments	15.0	**18**	14.9	0.3	12.3	**17**	12.5	6.5	16.4	**10**	24.1	**13**
North Amer Philips	14.6	**19**	12.7	0.2	9.1	**19**	10.1	2.9	20.1	**8**	15.2	**21**
General Tel & Elec	14.4	**20**	9.9	0.9	5.3	**25**	7.0	4.6	11.7	**18**	7.6	**24**
Ampex	14.4	**21**	16.4	0.5	12.1	**22**	8.8	5.2	5.0	**25**	D–P	
Honeywell	13.4	**22**	13.2	0.2	10.0	**20**	10.1	4.6	8.6	**22**	14.7	**22**
American Tel & Tel	12.7	**23**	12.8	0.7	7.1	**23**	7.2	12.1	11.6	**19**	9.2	**23**
Bunker Ramo	12.1	**24**	15.0	0.4	11.3	**21**	9.4	5.2	7.0	**24**	80.5	**1**
Varian Associates	8.1	**25**	12.2	0.4	10.5	**24**	7.1	3.6	12.3	**17**	25.6	**11**
Industry medians	**17.1**		**20.7**	**0.3**	**14.4**		**14.2**	**5.7**	**15.2**		**24.2**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
D-P: deficit to profit; not ranked.

the 1974-75 recession. There are a few making sure they don't get caught again—Bunker-Ramo and National Semiconductor, among others.

"Technology is America's last hope for exports, for productivity gains, for employing people," says National Semiconductor Treasurer John L. Nesheim. "We just don't have a unique strategic situation like OPEC's oil. The opportunities to apply semiconductors grow faster than we can supply them." Semiconductor components account for three-fourths of National's $980 million revenues and all its profits and, according to Nesheim, National wouldn't even consider a cut in its $150 million program, up 50% over 1980.

Neither would Duane Burnham, head of $500 million (sales) Bunker-Ramo. "We have seen this before," he says. "A lot of people indicate they are cutting back on capital spending. The technology requires that we increase spending for more advanced equipment. We don't want to be caught short." And, Burnham adds, what good are new plants without a staff, or if delivery of all the new machinery is delayed six months?

The electronics companies have good reason to be looking over their shoulders. The Japanese are running hard, and if the U.S. firms can't supply the demand when the economy heats up, the Japanese will. Japanese companies have already announced plans to build plants here. Plenty of people are scared.

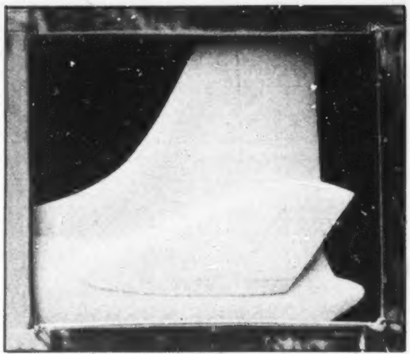
"U.S. producers have to turn very fast now to keep the Japanese from getting the same opportunities we gave them in 1974," admits Stewart Carrell, senior vice president of Texas Instruments. In building the required staff for their new plant the Japanese will add to a critical shortage of electrical engineers. "But I see most of the leaders have kept their nerve up in capital spending, and I don't think we will see the economy rebound the same way as it did before."

But it does require some nerve to keep on expanding. Manufacturers, distributors and customers claim they have inventories under control. But inventory under control today could be way out of control tomorrow. Where the industry had slower *growth* during 1980, it could face a decline in the first half of 1981. "If the recession doesn't end in the first quarter," says John Welty, who heads up both Motorola's semiconductor group and the Semiconductor Industry Association, "you could see three or four periods of overcapacity and price-cutting in the industry." That has already started in memory components like the 16K RAM chips, able to store 16,000 bits of information. When prices collapsed last summer many manufacturers, including Intel, stepped back from the market. The same could happen in other components.

"During a recession," says Anthony Hamilton, chairman of Avnet, the U.S.' largest distributor of electronic components, "managements make moves they regret later on." He worries less about inventories today than he does about shortages tomorrow. So does Gordon Moore, CEO of Intel.

So far prices overall are more stable than in 1974, and with luck they'll continue to hold. There are hopes in the industry that Congress will pass some new legislation that would allow two-year full depreciation instead of the five years allowed now, along with generous tax credits for increased R&D expenses. Though electronics is one of the U.S.' few remaining declining-cost industries, as National's Nesheim says, "You still have to have capital to spend, and the proposed legislation would keep it flowing."—**Christine Miles**

Will deregulation reverse the balance between the trunk lines and the regional airlines?



Airlines

THE RICH ARE GETTING POORER and the poor are getting richer: That's the airline business today. Passenger traffic was down 10% in October, 4% overall last year. The trunk lines—those ten majors whose routes span the continent and serve 85% of the market—were hardest hit of all. Their traffic was off as much as 6% because of the recession. Operating costs were up because of the soaring cost of fuel, and to fill up their empty seats they began reaching to build the market with cut-rate fares. Which, in turn, sent their profits reeling.

But the short-haul regional carriers—USAir, Piedmont, Southwest and others—were still filling their seats. The trunks pulled out of many supposedly higher-cost, short-haul markets such as Charleston, W.Va. and Providence, R.I., and the regional carriers took up the slack. Sometimes less competition meant fewer bargain rates, too. When Continental pulled out and TWA cut back on flights on the Chicago-Los Angeles route, American and United raised fares sharply.

Then, too, with deregulation, airline executives were forced to fall back on their own resources, and the results have been disheartening. The classic strategic mistake involves newcomers trying to price their way into the competitors' bread-and-butter markets and starting ruinous price wars. Eastern offered the first cut-rate transcontinental flight, causing American, United and TWA to follow. United started offering discounts on the Chicago-Houston run; soon Delta, American and Braniff did the same. Everybody moved into the New York-Los Angeles markets. The net result was millions of dollars in losses for all.

"None of the rules of the game apply in the airline industry anymore. The haves have become the have-nots and vice versa," says transportation analyst Michael Derchin of Oppenheimer & Co. The ten trunk airlines may have lost $150 million this past year while short-haul regional and commuter airlines added $125 million to their combined net income. But no generalization is really airtight. Among the trunks, Delta is prospering; among the regionals, Republic and Ozark are faltering. At the heart of the changing industry is deregulation—the new freedom to move in and out of markets at will—and the "hub-and-spoke" systems some carriers are building or abandoning. An airline flies passengers from small cities to such major hubs as Atlanta or Chicago, where they are fed into its other flights, fanning out like the spokes of a wheel. Some trunk carriers like troubled United are chipping off spokes to

Airlines

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Emery Air Freight	35.7%	**1**	28.8%	0.1	26.6%	**1**	34.4%	3.7%	19.4%	**4**	14.2%	**7**
Piedmont Aviation	22.8	**2**	18.7	2.3	7.7	**5**	8.7	2.7	17.6	**7**	19.4	**5**
Frontier Airlines	22.8	**3**	17.9	1.0	10.4	**2**	15.1	4.2	19.1	**5**	25.3	**4**
USAir	22.2	**4**	29.5	0.9	13.8	**3**	9.9	5.6	15.8	**9**	136.8	**1**
Delta Air Lines	16.7	**5**	12.1	0.1	7.5	**4**	9.1	3.4	16.4	**8**	13.9	**8**
Western Air Lines	14.0	**6**	def	1.2	def	**7**	6.5	def	13.8	**12**	9.3	**9**
Tiger International	12.9	**7**	10.5	2.3	5.1	**8**	5.8	2.9	21.5	**3**	8.0	**10**
Republic Airlines	11.9	**8**	def	1.9	def	**6**	7.7	def	25.5	**2**	4.3	**12**
Eastern Air Lines	10.6	**9**	def	2.9	1.2	**10**	5.4	def	13.4	**14**	D–P	
American Airlines	8.7	**10**	def	1.2	def	**11**	5.3	def	13.3	**15**	D–P	
UAL	8.1	**11**	def	0.9	0.5	**14**	4.1	def	12.9	**16**	15.7	**6**
Northwest Airlines	8.0	**12**	0.4	0.1	0.3	**9**	5.5	0.2	13.9	**11**	7.1	**11**
Trans World	7.5	**13**	def	2.0	1.5	**12**	4.5	def	14.8	**10**	D–P	
Continental Airlines	7.1	**14**	def	1.3	def	**13**	4.4	def	13.8	**13**	26.3	**3**
Pan Am World Airways	6.4	**15**	def	1.3	def	**15**	3.9	def	10.5	**17**	D–P	
Braniff Intl	def	**16**	def	3.3	def	**16**	3.4	def	18.1	**6**	P–D	**13**
Federal Express	**		29.4	0.8	18.4		**	8.8	59.0‡	**1**	112.2‡‡	**2**
Industry medians	**11.3**		**def**	**1.2**	**1.2**		**5.7**	**def**	**15.8**		**14.2**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
‡ Four-year growth. ‡‡ Three-year growth. P-D: profit to deficit. D-P: deficit to profit; not ranked. def: deficit.
**Not available; not ranked.

save money, a move questioned by other airline executives and analysts, says Derchin. Some regionals, USAir, for example, are looking for new longer routes so they can match the hub-and-spoke system used by the majors.

As the trunks and the smaller airlines vie for market shares, the distinctions between them will become blurred. "Watch for the smaller carriers getting larger and the larger carriers getting smaller," says Civil Aeronautics Board Chairman Marvin Cohen. USAir moving out of Pittsburgh into the Southwest, Piedmont expanding from the Southeast into the Southwest, Frontier growing from the Rocky Mountain region into the Midwest and West Coast all illustrate the first part of the trend. TWA and Continental retrenching on the Chicago-Los Angeles route, and United pulling out of the Grand Rapids-Chicago route illustrate the shrinking of the larger airlines.

Edwin Colodny of USAir
Smaller may be better.

In part it is a matter of matching equipment to route structure. "Carriers without wide-body aircraft are in a better competitive position. It's simply a case where smaller may be better than bigger," says Edwin Colodny, chairman of the board and president of USAir, formerly Allegheny Airlines. Conventional aircraft are less costly to operate and more adaptable to changing traffic conditions. Which is why it may be easier for a regional to trade up than a trunk to cut back.

"I call these regional carriers—USAir, Southwest and Frontier—the emerging growth stocks of the Eighties," says analyst Derchin, predicting USAir will grow by 20% for the next five years.

Next year may be better for all the carriers. Says Colodny: "If you start with the assumption that the economy will have a modest recovery, you can expect a resumption of traffic growth, but not a sharp upturn, under 10%." Says Cohen of the CAB: "Industry people are taking a look at who's doing well and emulating those patterns: low costs, quick turnarounds, short-haul, low-fare service."

But the skies ahead are still cloudy. Even if revenues recover this year, another oil-supply crunch could send fuel prices soaring, and as new airlines try to muzzle into old markets, price wars could develop, even along short-haul routes, including those in USAir's northeast territory. What exactly is ahead is unclear. But nothing is going to be what it used to be.—**Beth Brophy**

Filling the slots

Airplanes don't just fly, they have to take off and land, and how often they do depends on the number of slots available—the number of landings and takeoffs permitted at the nation's most congested airports.

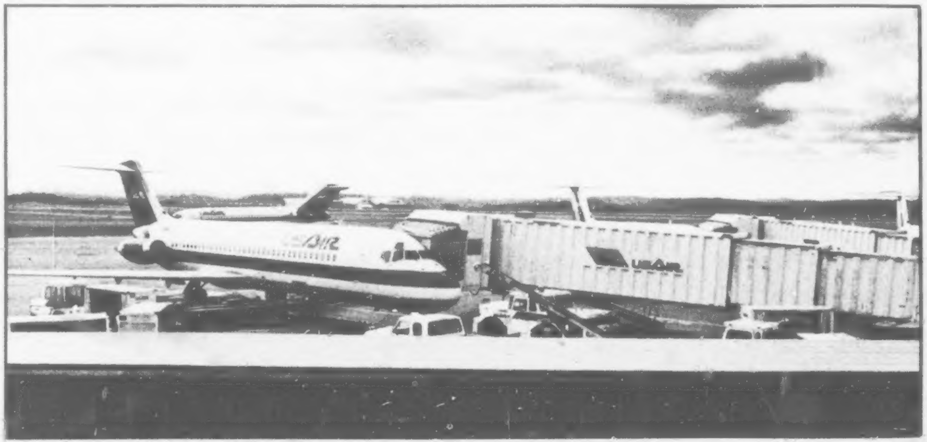
With deregulation, everybody wants to fly the good routes and land at the most convenient fields. But that's the paradox of deregulation: Sometimes there's no room at the inn. "We're trying to build a competitive system with freedom of exit and entry," says CAB Chairman Marvin Cohen. "But how do we get the airport structure to accommodate the fluidity of airlines gaining and dropping markets?"

The "slot" system began in 1969 when the Federal Aviation Administration, a division of the Department of Transportation, set quotas to control airspace congestion at four major airports in New York, Chicago and Washington. Nowhere is the slot problem more severe than at Washington National, which has only 40 commercial slots per hour, *vs.* 60 at LaGuardia, 70 at Kennedy (80 per hour between 5 p.m. and 8 p.m.) and 115 at O'Hare. Of course, adding an extra section to a scheduled flight still counts as only one slot, so the system is a kind of shell game. At National, existing airlines want to expand their slots and new airlines want in, but the nearby residents have insisted on less noise, which means fewer flights and shorter airport operating hours. National shuts down at 11 p.m. for eight hours. Residents want slot cutbacks, in fact, and the FAA is so worried about offending the public they may get them. One way to get more slots is to expand runways, but try and get folks nearby to move.

The last hassle over slots at National lasted months when Texas Air proposed a new cheapie Washington-New York route to compete with Eastern's shuttle. In the past, airline representatives have sat down at a negotiating table twice yearly to set six-month slot schedules. But Texas Air wanted 20 slots and none of the existing airlines wanted to relinquish any. The FAA, owner of Washington National, made the decision. Texas Air got 18—those Texans are influential in Washington—trimming landing rights from the other airlines and opening a route war with Eastern (Forbes, *Nov. 27, 1980*).

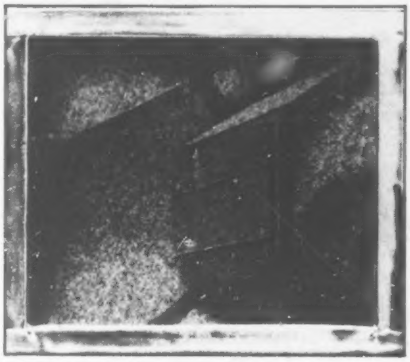
"There has been tremendous political pressure to accommodate the Texan airline because of the large population of Boston, New York and Washington. Plus we have some Texans lobbying," admitted Michael Callaway, airport access coordinator at CAB.

Squabbles over slots may get worse in the Northeast corridor. "The FAA predicts that between now and 1990, 60 more airports will become saturated unless new runways are built," adds Callaway. "We think it limits the effectiveness of deregulation in holding down ticket prices when whoever gets landing rights is thrown into a monopoly or oligopoly situation."—B.B.


Docking at Washington National Airport
Travelers want to land at close-in airports, but neighbors want fewer flights.

It'll probably take a national crisis or a national commitment like the Apollo program to get capital spending booming again.

Industrial equipment



THERE'S NO NEED TO REMIND the industrial equipment companies that U.S. industry isn't spending anything like enough on capital goods. They've known about that for years. And they also know it'll take more than slogans to replace the billions of dollars' worth of obsolete production machinery still in place throughout the U.S. Billions of dollars and probably some crying necessity. Companies like Ingersoll-Rand and Cooper Industries, which serve the energy-producing oil, gas and coal-mining industries, are booming. Aerospace orders are picking up in response to fuel prices, noise regulation and a new generation of aircraft. And the auto industry's plans to spend $80 billion in five years to catch up with import competition are propping up machine tool orders.

But a good portion of U.S. industry isn't going anywhere—like the construction industry (which Wallace Murray and Amerace supply) and farm equipment (Deere, International Harvester). As Paine Webber Mitchell Hutchins analyst Eli S. Lustgarten points out, more than two-thirds of American machine tools are now over 10 years old, one-third are over 20 years old and, in the aerospace industry, fully 75% of the machine tools are over 10 years old. The result: lower productivity and efficiency rates relative to their foreign competition. Says Lustgarten: "For too long, we've been living off the good deeds of the Sixties."

But the harsh fact remains that U.S. industry is running at only 78% of capacity because of the recession, and most businessmen can't see aggressively expanding or modernizing unless the market is there. "Remember," Lustgarten says, "we have the technology right now to improve overall efficiency and productivity, but no matter what you do to improve your efficiency, if your customers aren't buying you can't make money and you've probably increased your leverage." That's what happened to Ingersoll-Rand, which invested heavily in new plant in the early 1970s in response to predictions of a massive capital spending spree. When it became apparent that the market was not there, IR's profit margin took a beating.

Despite IR's bitter object lesson and despite softness in the semiconductor and small-press printing machinery industries that make up 40% of Harris Corp.'s sales, the company is going full tilt with a $500 million, five-year capital spending program. Warns Harris President Jack Hartley: "What's slowing capital investment is the softness in sales, and that's partly because interest rates are over 18% right now. My reaction to that is if you don't invest now, you are going to have an even worse problem on your hands." Hartley thinks that interest rates may go higher and that companies could lose even more competitive ground for lack of sufficient productive capacity.

CINCINNATI MILACRON

Robot dazzles the crowd at recent machine tool show
Its main selling point is productivity.

Take the machine tool industry, for example. After 1979, when the industry's aftertax profit margin rose to 6.4% from 4.4%, the larger machine tool companies saw their order backlogs stretch out from under a year to over a year and a half. When foreign toolmakers began to take over the business, companies like Ex-Cell-O and Cincinnati Milacron started falling over themselves to add capacity. "It's a down-to-earth reason," says Laura Conigliaro with Bache in New York. "With their lead times getting longer, they were losing business to foreign competitors. But it's easier to say, 'Well, we're doing this because of the reindustrialization of America.'" The market share gains of the foreign toolmakers are startling. Imports, led by the Japanese, accounted for some 22.6% of last year's sales—up from 22.2% in 1979. Yet overseas, U.S. manufacturers have been hanging on with only a 3.6% market share.

One of the principal reasons for the foreign producers' greater productivity is that their govern-

That garbage about garbage

Michael Dingman, CEO of Wheelabrator-Frye
Most of the garbage boom is newspaper puff.

If the customers aren't buying, there's not much the equipment manufacturers can do about it, and that, says Michael D. Dingman, CEO of Wheelabrator-Frye, is the trouble with what is potentially one of the industry's hottest markets—the infant garbage-to-energy business. The customers aren't really buying. "If all the jobs that were publicized in various papers really *were* jobs," Dingman says wearily, "the garbage-to-energy business would be a helluva business. But most of it is newspaper puff." Take, for example, the recent announcement that Portland, Ore. had entered into a 25-year contract to supply garbage to a Publishers Paper mill nearby. "There is no garbage up there yet," says Dingman. "This is just talk. It's an announcement a politician gets credit for."

There are a number of major companies waiting to cash in on this potentially multibillion-dollar industry: Combustion Engineering, Combustion Equipment, Waste Management and Occidental Petroleum, among others. But so far only 30 or so garbage-to-energy plants have been built, enough to absorb only 5% of the 150 million tons of recoverable garbage dumped every year in America. There are maybe a hundred others on the drawing board, but the fact is, even if enough were in place to absorb all the U.S.' garbage production, they could displace only 2% of the nation's energy requirements. Whatever else, garbage is no solution to the U.S.' energy problems.

Besides, the equipment breaks down frequently. So it's hard to make a decent profit, and the garbage supply can be erratic. Dingman says Wheelabrator-Frye's Saugus, Mass. plant, which supplies steam power to a nearby GE plant in Lynn, will turn a profit for the entire year, but only because all the elements finally came together: steady supply of garbage, relatively constant energy demand and WF's specially applied European technology.

The government, through the DOE, is offering construction loan guarantees and price-support loans to encourage people to move, but Dingman doubts the industry will take off until there's is no alternative. Says he: "When the existing garbage dumps get closed, which is easier said than done, and when the people who involve themselves decide to truly solve the problem, then facilities like ours will be a welcome addition to communities."—G.O.

Industrial equipment

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Production equipment												
Briggs & Stratton	23.8%	**1**	22.0%	0.0	21.4%	**1**	23.4%	6.8%	13.7%	**10**	12.3%	**13**
Sundstrand	21.2	**2**	23.4	0.4	15.8	**9**	13.1	8.5	14.3	**9**	26.8	**4**
CBI Industries	20.6	**3**	19.3	0.0	15.8	**2**	16.8	9.1	7.4	**16**	12.4	**12**
Johnson Controls	19.6	**4**	10.9	0.4	8.9	**3**	16.2	3.5	21.7	**1**	24.2	**6**
Cincinnati Milacron	19.4	**5**	31.2	0.4	21.3	**6**	13.3	9.8	11.9	**13**	41.3	**1**
Wallace-Murray	18.4	**6**	16.5	0.5	12.2	**7**	13.3	5.4	12.5	**12**	24.7	**5**
Parker-Hannifin	17.8	**7**	17.0	0.4	13.8	**5**	13.7	5.4	17.1	**3**	13.6	**11**
Harsco	17.5	**8**	14.7	0.2	12.6	**4**	14.2	4.7	14.4	**8**	14.4	**10**
Eagle-Picher Inds	16.5	**9**	12.6	0.3	10.3	**10**	12.9	4.6	10.9	**15**	11.9	**14**
Midland-Ross	16.1	**10**	17.8	0.3	13.4	**11**	12.1	4.8	13.5	**11**	19.7	**7**
Norton	16.0	**11**	18.4	0.2	14.9	**8**	13.2	6.6	15.9	**4**	16.7	**9**
Ingersoll-Rand	14.2	**12**	14.0	0.4	10.8	**12**	11.0	5.2	14.9	**6**	5.5	**15**
H K Porter	14.2	**13**	12.4	0.7	9.2	**13**	10.8	2.6	14.8	**7**	28.6	**3**
Acme-Cleveland	12.6	**14**	16.7	0.5	12.2	**14**	9.6	4.2	15.4	**5**	19.3	**8**
Chic Pneumatic Tool	7.4	**15**	5.6	0.5	5.7	**15**	7.5	1.9	11.0	**14**	–5.1	**16**
Cross & Trecker	**		25.9	0.1	24.6		**	9.2	17.5‡	**2**	33.7‡	**2**
Medians	**17.5**		**16.9**	**0.4**	**13.0**		**13.2**	**5.3**	**14.4**		**18.0**	

Note: Explanation of Yardsticks calculations on page 49.
‡Four-year growth. **Not available; not ranked.

ments do more to encourage capital equipment spending. "This is the kind of competition U.S. industry is facing," says James A.D. Geier, CEO of the $800 million (sales) Cincinnati Milacron. He goes on to explain the Japanese government's massive promotion of industrial robots. First, the government set up a robot-leasing company, then it began offering low-interest loans to small and medium-size companies that bought the robots. In addition, robot users can take 12.5% of the robot's purchase price in depreciation the first year—*on top of* the normal liberal depreciation rate.

But Geier goes on: "I've been trying to tell everyone, yeah, we need 10-5-3, or whatever numbers that come up, but don't think that's going to turn everything around. It won't." Not if the market and the rate of return aren't there. Adds Lustgarten: "What the fast-depreciation laws and tax credits are trying to do is to help the businessman calculate the return on investment that justifies the expense. But that's only half of the equation that determines whether he will go ahead with capital spending. The other half is the economic environment. If he's looking at a 65% operating rate, you can give him all the tax credits you want, but it's not going to help much."

Little wonder that some businesses are reluctant to spend for machinery that will sit idle. In moments of crisis, however, market and investment criteria go out the window as companies fight to survive. That's why the automakers are spending billions for sales dollars that may never develop. Says Lustgarten: "Government policy dictated a forced change for the automakers, but it was the consumer who bought imports and put the final nails in." From his pers[illegible], the market dominates decisions on new capital inv[illegible]nt.

William L. Wearly, recently retired CEO and chairman of Ingersoll-Rand Co., believes the U.S. needs a more abstract compulsion to set off any rush to modernize the U.S. industrial plant. Now that the decade of consumer spending is over, Wearly predicts the nation will rally around some cause, like a massive synfuels program: "A synfuels program will have an enormous impact on the GNP. Like the space programs of the Sixties, we saw only a few rockets going up, but the industry behind it was huge. If we don't get on a mission like that, the revitalization of America just won't happen."—**Gerald Odening**

Industrial equipment

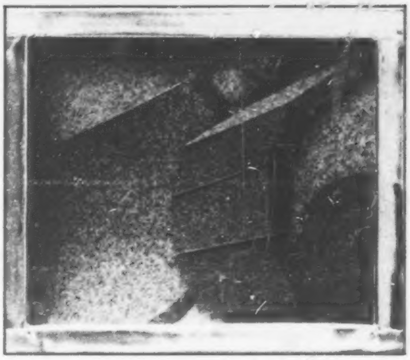
Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Specialty equipment, materials												
Trinity Industries	26 8%	1	37.4%	0.4	28.0%	2	20.1%	5.7%	18.8%	9	24.1%	8
Cooper Industries	24.9	2	19.9	0.4	13.5	1	20.4	7.9	26.2	3	27.4	3
Foster Wheeler	23.1	3	23.3	0.2	19.8	3	18.9	3.4	15.1	16	27.0	4
Tyler	21.6	4	16.1	0.9	10.8	9	15.4	3.5	15.5	12	16.4	15
Ametek	21.1	5	18.7	0.4	13.1	7	16.5	5.4	12.0	25	15.5	18
Combustion Engnrng	20.8	6	32.6	0.2	12.2	23	12.3	3.7	12.4	24	20.7	12
Waste Management	20.6	7	23.8	0.4	16.4	20	13.1	9.6	23.8	4	27.6	2
Marley	20.4	8	15.6	0.1	15.4	5	17.8	4.1	20.9	7	25.5	5
Harris Corp	19.8	9	19.7	0.4	13.2	11	15.1	6.1	15.3	13	31.9	1
Tecumseh Products	18.5	10	14.9	0.0	15.0	4	18.5	5.5	9.8	30	13.1	23
Big Three Industries	18.4	11	19.8	0.3	15.1	12	14.6	13.0	26.7	2	24.3	7
Illinois Tool Works	18.2	12	17.9	0.0	17.4	6	17.8	10.2	13.4	21	13.8	21
Wheelabrator-Frye	17.8	13	19.5	0.3	13.8	16	13.6	4.7	22.4	5	22.1	10
Emhart	17.6	14	13.9	0.1	12.0	8	16.3	3.3	36.6	1	16.3	16
Rexnord	17.3	15	13.6	0.3	10.6	15	13.9	4.6	14.6	17	15.9	17
Stanadyne	17.3	16	12.0	0.2	10.1	10	15.2	3.6	13.1	22	11.1	26
Zurn Industries	16.8	17	16.7	0.3	12.6	24	11.9	4.8	6.9	33	20.8	11
Dennison Mfg	16.0	18	14.1	0.2	12.3	17	13.5	4.8	14.1	19	14.0	20
General Signal	16.0	18	16.5	0.1	15.5	13	14.4	6.6	22.0	6	18.1	14
Signode	15.7	20	14.1	0.1	11.7	21	13.1	5.7	12.9	23	11.9	25
Hobart	15.0	21	14.9	0.3	12.2	24	11.9	4.8	11.5	26	7.5	29
Foxboro	14.8	22	10.5	0.1	9.9	19	13.3	5.5	15.2	15	23.4	9
Browning-Ferris Inds	14.4	23	17.4	0.6	11.0	30	9.2	6.2	11.2	27	12.2	24
Timken	14.3	24	14.2	0.0	13.2	18	13.4	7.5	13.8	20	10.7	27
Fisher Scientific	14.3	25	16.2	0.5	12.1	27	10.9	3.7	15.3	14	25.4	6
Peabody Intl	14.2	26	13.1	0.3	11.1	26	11.7	3.8	20.6	8	15.4	19
Stewart-Warner	14.1	27	11.6	0.0	11.4	14	13.9	5.6	7.6	32	9.4	28
Ex-Cell-O	14.0	28	13.7	0.2	11.7	22	12.8	4.9	15.6	11	18.9	13
Avery International	13.4	29	14.0	0.5	10.0	29	9.9	3.5	16.2	10	13.5	22
Amerace	12.7	30	11.4	0.5	7.4	31	8.0	3.2	8.4	31	3.5	30
UMC Industries	12.1	31	10.2	0.6	7.8	28	10.3	2.8	10.1	29	3.2	31
Envirotech	1.8	32	def	0.2	def	32	2.6	def	14.2	18	–26.4	32
General Refractories	def	33	1.5	0.6	3.3	33	1.9	0.3	10.9	28	P–D	33
Medians	**16.8**		**14.9**	**0.3**	**12.2**		**13.5**	**4.8**	**14.6**		**15.9**	
Industry medians	**17.1**		**16.1**	**0.3**	**12.2**		**13.3**	**4.8**	**14.4**		**16.3**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
def: deficit. P-D: profit to deficit.

Sometimes they're up, sometimes they're down, but these businesses are always cyclical.

Construction, mining, transport equipment



"CYCLICALITY IS THE KIND OF BUSINESS these companies know best," says one construction equipment analyst. "They are particularly good at hanging on in the troughs. They've had a lot of practice at it."

These days, most of the heavy equipment producers—bulldozer, continuous miner and freight-carmakers alike—have had to marshall all the experience they have to keep on hanging in there. The cycle has turned down, and there's not much anybody can do about it, not advertising on television or cents-off coupons or even discount pricing. All they can really do is wait—for the eventual and inevitable upturn.

Take the rail equipment makers. In 1978 and 1979, the sky was the limit on new railcar orders. Everybody bought them: railroads, shippers, your friendly neighborhood doctor and dentist. In fact, third-party buyers (investors, who leased their cars to railroads) and shippers were responsible for upwards of 40% of 1979's 29,000 new boxcars. And why not? Until early 1980, investors earned inflated rents on top of a 10% investment tax credit.

Then, with the recession and a 100% oversupply of boxcars, the bottom fell out. Railroads had only enough business to use their own, so they happily retired the third-party cars and in the process saved the sky-high per diem charges, mileage charges and extra September-through-February hourly charges they had willingly paid during the car shortage. New boxcar orders plunged an estimated 90% last year; nonrailroad-buyers ordered only 41 cars through September; and between March and August only 85 boxcars were ordered nationally. Total

Construction, mining, transport equipment

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Construction, materials handling												
Hyster	21.1%	1	16.3%	0.2	14.1%	1	17.0%	7.1%	13.7%	3	27.6%	1
Caterpillar Tractor	20.1	2	14.6	0.3	11.8	2	15.0	5.7	14.6	2	13.9	2
Clark Equipment	15.3	3	10.0	0.2	8.4	3	11.7	3.7	6.0	6	11.2	5
Amer Hoist & Derrick	14.4	4	13.4	0.6	9.6	4	9.9	3.9	11.3	5	12.4	4
Pettibone	12.2	5	8.8	1.1	6.6	5	8.9	2.5	12.6	4	13.0	3
Harnischfeger	8.7	6	2.8	0.9	3.7	6	6.5	0.7	17.3	1	–1.5	6
Medians	**14.9**		**11.7**	**0.5**	**9.0**		**10.8**	**3.8**	**13.2**		**12.7**	
Mining and drilling equipment												
Baker International	23.6%	1	24.2%	0.5	17.3%	3	16.7%	9.0%	35.4%	1	28.2%	1
Geosource	23.5	2	27.4	0.4	21.2	1	19.8	7.4	24.4‡	3	27.5‡	2
Cameron Iron Works	21.9	3	22.3	0.3	16.1	7	14.1	11.1	19.7	6	25.7	3
Smith International	21.2	4	20.8	0.4	15.9	2	17.5	10.2	23.7	4	24.2	5
Dresser Industries	19.8	5	17.7	0.3	14.8	4	15.7	6.4	19.7	5	19.8	6
Bucyrus-Erie	18.2	6	13.9	0.3	11.4	6	14.2	9.5	17.9	7	19.4	7
Hughes Tool	18.0	7	20.7	0.4	15.2	5	15.3	10.6	31.5	2	24.4	4
Joy Manufacturing	15.0	8	15.1	0.2	12.7	8	13.0	6.4	14.4	8	15.7	8
Medians	**20.5**		**20.8**	**0.4**	**15.6**		**15.5**	**9.3**	**21.7**		**24.3**	
Rail equipment												
Amsted Industries	21.1%	1	23.2%	0.0	22.6%	1	20.6%	7.8%	12.8%	3	23.6%	1
Trans Union	18.0	2	20.7	1.6	6.6	3	6.9	6.4	17.3	1	12.3	2
ACF Industries	14.4	3	16.6	0.6	8.7	2	7.9	5.8	13.3	2	11.8	3
GATX	10.1	4	13.3	1.3	5.5	4	4.8	6.7	9.3	4	–0.7	4
Medians	**16.2**		**18.7**	**1.0**	**7.7**		**7.4**	**6.6**	**13.1**		**12.1**	
Industry medians	**18.1**		**16.5**	**0.4**	**12.3**		**14.2**	**6.6**	**16.0**		**17.6**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
‡Four-year growth.

orders of all types of railcars (boxcars, covered hoppers, tank cars, etc.) dropped 64%, back to pre-1977 levels.

One victim of the 180-degree market turn: Chicago-based Pullman, Inc., the largest U.S. maker of freight cars. As a result of 1980 freight car losses and a $50 million pretax writeoff from its Swindell construction division, Pullman posted a loss last year. Pullman's stock fell well below book, marking the company as an acquisition target, and J. Ray McDermott, Inc. moved in for the kill. Wheelabrator-Frye won the ensuing bidding war, of course, picking up Pullman for what was still a bargain-priced $52.50 per share, just over book. But the last, the oldest and the greatest of the freight car builders was no more.

Is there a way to profit in this determinedly cyclical business? Absolutely: by leasing out railcars. Trans Union Corp., founded by John D. Rockefeller to carry the oil trust's oil and now one of the nation's two largest tank-car makers, leases 90% of its output. In a boom-and-bust industry, says Trans Union Executive Vice President Donald B. Romans, "it's reassuring to know on Jan. 2 where 85% of your profits are coming from." Trans Union, too, is facing merger. It's in the throes of deciding between Pritzker-controlled Marmon Corp. and other bidders.

GATX, with a larger leased fleet than Trans Union (62,400 *vs.* 60,000), will move through the recession unscathed, sales up 10% to 15%. GATX does have one activity that sets it profitably above Trans Union and all the other rail equipment companies—its storage tanks, leased primarily for holding petroleum products. Still, GATX has maintained railcar orders, production and backlog when the other sales-oriented companies have failed to do so. Even Amsted, principally a parts supplier to the industry, suffered a fourth-quarter earnings decline of some 39% last year; analysts predict 1981 earnings will be down 20% to 25%.

When will the rest of the railroad equipment industry pick up steam? Don't look for significant improvement before 1982. The 1978-79 oversupply has yet to be worked off; and, since rail equipment companies lag the recession, incoming orders will be slow to improve. If the economy picks up this year, companies with large railroad equipment segments will probably pick up next year.

The same goes for construction equipment, where unit sales are down, and at least one-third of sales are now made to the coal mining and oil drilling industries. Unit sales at $8 billion (sales) Caterpillar, for example, fell by approximately 8% last year. "The lack of purchasing in the coal industry and for highway construction [see box] affected sales of our larger machines," explains E.C. Chapman, Caterpillar executive vice president. Does he see an improving picture in 1981? "Who knows? This is the year that everyone sits and watches," answers Chapman. They've had lots of experience doing that, and they can do so in the confidence that the upturn will eventually end. After all, U.S. construction equipment still enjoys a reputation that U.S. autos used to have: American-made means quality.

In sharp contrast, the oil equipment business has never looked better. The U.S. count of oil rigs ballooned from 2,177 in 1979 to 2,900 last year; and analysts predict 3,250 rigs will be in use this year. As a result, earnings at Hughes Tool were up 30% last year, while Baker International was selling at 20 times earnings. It took time, but for the oil equipment makers the cyclical upswing is long overdue. Between 1956 and 1971, drilling activity declined as steadily as it has been on an upswing in the last eight years.—**Lisa Gross**

Counterbalances

BARBER-GREENE
40

Barber-Greene's Dynaplane

Recycling asphalt for 30% road-repair savings.

For two years now, commuters on Chicago's Edens Expressway have learned to hate what is one company's salvation: a big green machine called the Dynaplane. Made by $227 million (sales) Barber-Greene Co. of Aurora, Ill., the Dynaplane recycles the asphalt on a road being resurfaced. Without it, the inconvenience to Edens Expressway users would have been no less. But the cost of the project would have been as much as 30% over its $2 billion price tag, and Barber-Greene would have been in more trouble than it already is.

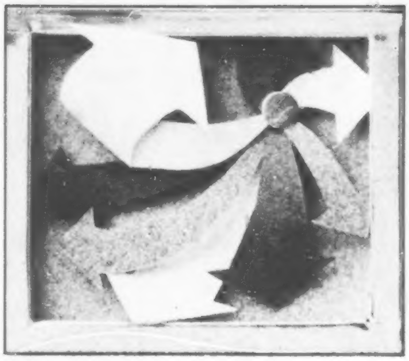
Barber-Greene is in many ways typical of the U.S. heavy equipment makers. It's inordinately vulnerable to outside forces that shape the industry's boom or bust cycles and, of necessity, it learned to roll with the punches. The latest blow came early last spring at the start of the road-building season, when the Carter Administration suddenly froze $1.4 billion in federal highway funds to take inventory. The freeze lasted until August, and it hurt. Construction Machinery Group sales were off 13% for the year to $130 million, corporate earnings, down 38%.

Ever since the 1973 oil embargo, Barber-Greene has been pulling back from the increasingly unreliable road construction field that now yields only 57% of its sales, *vs.* 65% in 1974. It did so mainly by developing new road-repair equipment like the Dynaplane. Pre-embargo, road repair accounted for 15% of highway spending; now the figure is 40%.

Around the same time, CEO Anthony S. Greene, 55, son of one of the founders, was also cutting his commitment to construction equipment by building a presence in mining equipment. As soon as the company emerged from the 1974-75 recession it bought Mine & Smelter Co. of Denver for a rock-bottom $800,000. In 1978 it paid $5.6 million in stock and cash for Daffin Mobile Products of Lancaster, Penna., a maker of concrete mixing equipment. "We're still in the infancy stage of entering the mining field," says Greene. "It'll be about 15% of our 1981 business. But mining equipment sales grew 20% last year, which looks especially good compared with our sales decline in construction equipment."

Tony Greene would also love to hear from anyone in need of a subway tunneler. He just happens to have one on hand, built for the now-defunct Tehran Metro Authority. They dig a clean 36-foot hole, and you can have them at a bargain price.—L.G.

Soaring interest rates have slowed the conglomerate movement to a walk. But the impulse to conglomerate still remains.



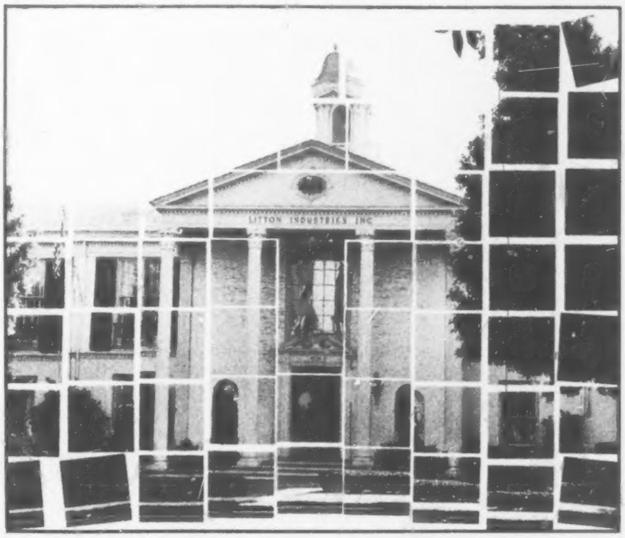
Conglomerates

"I THINK THE OLD CONCEPT OF BUYING COMPANIES to improve earnings per share was a bad idea when it started and I think it is an even worse idea today," says Ralph Schey, chief executive officer of $700 million Scott & Fetzer

But isn't that conglomerate blasphemy? Isn't the whole idea of conglomerating aimed at improving your earnings? Certainly, at one time it seemed to be. But what Schey is really railing against is firms taking over other firms *exclusively* because of the impact their acquisition may have on reported earnings. That style of play pretty much died out with the stock market boom of the Sixties.

Schey, whose company owns World Book Encyclopedias and Kirby vacuum cleaners, among other things, is representative of a new breed of conglomerators. These are men with companies like TRW, Signal Cos. and Whittaker Corp. who have gotten away from the idea of growth for growth's sake and returned to something like the first principles of conglomeration. They make what Schey calls "strategic" acquisitions, as opposed to the basement-shopping "economic" acquisitions. Naturally, the cliches still pop up when you talk to men like Schey. Words like countercyclicality, risk-spreading and even—that Ghost of Christmas Past—synergy. The difference is that the new school really tries to practice these handy maxims, instead of just talking about them.

The theory, after all, never was called into question. Only the practice. The best of the conglomerators—companies like Textron and TRW—were basically asset managers. They shaped and reshaped their portfolios of businesses according to some preestablished pattern to yield the maximum return on investment. Where they went wrong was that in improving their return the conglomerators discovered they inevitably improved their earnings, and the result was that for many companies the emphasis shifted from managing assets to managing earnings, and the fat was in the fire. The go-go era was at hand.



Says Tex Thornton of Litton, the $4 billion conglomerate that was one of the pioneers of the form and now grows primarily through internal spending, "People paint all conglomerates with a broad brush. But the good ones are those that take the technology they've got and make acquisitions which augment that technology. That's entirely different from those firms that just buy and sell companies without a plan."

Actually, when Thornton talks about augmenting technology, you can sense that he's skirting the word *synergy*. "Well, we started the use of that word. And then other people started using it. But they didn't use it right. So it fell into disfavor. So, now we've stopped using it. But the truth is," he says, his voice dropping to a mock whisper, "that's the way conglomerates can work—with synergy."

Thornton and Schey both stress the fact that this theory of two plus two equaling more than four can only work when you carefully pick the twos you are adding together—something Litton itself learned from bitter experience. But acquisitions of any kind can be expensive these days, especially with sky-high interest rates and fairly low stock market multiples. But this doesn't deter Schey: "People will always come up with unique ways to handle the financing," he says, "if financing is the only barrier to something."

In fact, Schey argues that high interest rates aren't the real obstacle to making acquisitions. He says, "In my judgment the length of time for which you can borrow at fixed rates is a more significant problem than the fixed rate that you would pay to borrow it today. You know, it's difficult to borrow money today at a fixed rate beyond ten years."

With money so expensive and hard to find, a number of firms have chosen to get capital the way conglomerates always have in the past—by selling off bits and pieces of themselves—but less from desperation than long-term design. In just the last year Ogden Corp., ITT and Textron have sold off significant subsidiaries, and they're just the start of the list. Not only does this bring in badly needed cash for acquisition, but it can also be used to eliminate mistakes made in the past.

Explains Royal Little, creator of Textron and the grand old man of conglomerating, "During the 1960s, conglomerates tended to buy too many small companies. They bought hundreds of small companies—not real growth companies—which they are now selling off concentrating on bigger things." Bigger acquisitions, of course, have a bigger impact and can really affect the shape of a company. Witness United Technologies' acquisitions in recent years.

Adds Schey, "When I look at Gould's efforts to spin off their mechancial products business, which has probably a 5-times multiple, to acquire electronics companies that have a 15 multiple, that's clearly part of a deliberate corporate strategy." These spinoffs are often not losers. "You'll find a lot of good things being sold, too," says Schey. After all, if it's capital you need, the more valuable the property is, the higher the price it's likely to yield.

Schey argues that this movement to deconglomerate and purchase strategically selected companies is part of a broad historical flow which all—or most—conglomerates go through. "In the beginning," he says, "they expand very rapidly. It's like being at an auction. You tend to buy things you might otherwise not have bought. You sure as hell wouldn't have bought them if you weren't there and now that you've got them, you have to do something with them.

"In the second phase, you weed out a lot of things. You get rid of the things that don't fit in.

"In the third phase," he goes on, "you have got a new base from which you reestablish the company and try to fit things together more clearly." Schey's own company seems to be nearing the end of that second phase at this point, he says. "We've gone through a process of going from 31 businesses to 16 businesses and we'll probably go to 12 businesses before we're through. The process of consolidation and rebuilding takes a long time."

There's a fourth stage as well. Through changed circumstances—a new financial climate, a new management—the impulse to acquire, to actively conglomerate, fades. The company settles back into a conventional stance as a diversified company, as many of the conglomerates of the late Fifties and Sixties did long ago.—**Richard Greene with Thomas Baker**

Conglomerates

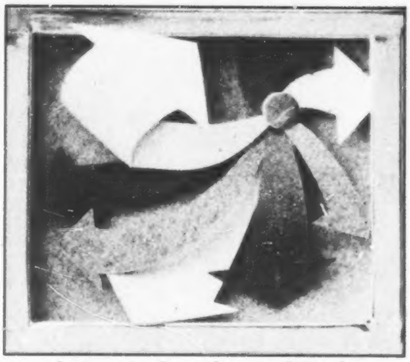
Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Teledyne	36.1%	1	27.7%	0.2	21.1%	1	23.4%	11.6%	11.0%	23	51.8%	5
Lear Siegler	24.2	2	22.4	0.6	14.4	7	14.2	4.6	13.2	17	34.0	6
American Standard	24.1	3	27.4	0.4	20.0	3	16.7	5.7	6.6	39	101.5	1
Avco	23.2	4	17.2	2.7	6.7	33	7.9	5.6	7.5	36	73.6	2
Raytheon	22.7	5	23.6	0.1	27.4	2	21.6	5.6	14.6	14	24.2	11
TRW	20.4	6	19.8	0.4	13.3	8	13.4	4.2	13.2	18	15.0	21
Scott & Fetzer	20.3	7	14.3	0.5	11.1	4	16.3	3.8	15.4	11	10.8	27
Northwest Industries	20.3	8	16.5	0.6	9.9	11	12.4	5.4	18.8	5	19.8	14
Alco Standard	19.8	9	18.8	0.5	13.4	6	14.7	2.3	15.1	12	18.5	16
Gulf & Western Inds	19.3	10	19.4	1.0	9.5	26	9.2	4.8	16.9	9	17.6	17
United Technologies	18.5	11	16.7	0.4	11.6	10	12.9	3.2	22.8	3	24.5	10
National Svc Inds	18.4	12	21.1	0.1	18.6	5	15.8	5.7	8.5	32	11.3	26
Transamerica	18.3	13	18.0	1.2	9.8	15	11.2	5.5	11.6	21	23.7	12
Bangor Punta	18.2	14	19.3	0.9	10.9	18	10.5	4.2	17.1	7	D–P	
Fuqua Industries	18.0	15	23.1	1.2	12.5	16	10.7	3.5	23.1	2	32.8	7
Ogden	17.9	16	16.5	0.9	8.8	27	8.8	2.7	6.9	38	15.1	20
White Consolidated	17.4	17	12.7	0.6	8.9	19	10.3	2.7	13.2	16	10.1	30
Chromalloy American	17.3	18	13.8	0.8	9.1	21	9.7	2.9	15.0	13	9.5	31
Tenneco	17.1	19	18.8	0.7	10.6	22	9.7	5.4	17.7	6	9.0	32
Whittaker	17.0	20	23.3	0.6	19.1	13	12.0	4.4	7.7	35	61.5	3
Textron	16.4	21	14.4	0.3	12.0	9	13.3	4.5	10.0	27	10.1	29
Dayco	15.8	22	8.0	1.1	5.6	32	8.0	1.6	11.1	22	12.1	25
City Investing	15.7	23	16.1	1.3	8.4	29	8.5	2.3	15.6	10	17.5	18
Rockwell Intl	15.7	24	18.6	0.3	14.1	14	11.3	4.1	11.8	20	10.5	28
Signal Companies	14.9	25	13.9	0.4	10.3	17	10.7	3.9	17.1	8	19.6	15
Berkshire Hathaway	14.8††	26	10.9	0.1	10.1	12	12.0††	8.1	30.6‡	1	29.8‡	8
Kidde	14.7	27	16.5	0.6	9.9	23	9.5	3.5	14.4	15	13.4	23
W R Grace	13.6	28	17.5	0.5	12.2	20	9.9	4.8	10.2	25	7.0	33
A-T-O	13.3	29	15.7	0.9	8.4	35	7.8	2.7	8.2	34	14.6	22
AMF	13.1	30	12.9	0.4	9.7	24	9.3	3.5	7.2	37	0.5	38
LTV	11.7	31	20.4	2.2	7.6	40	5.2	1.4	8.6	31	16.7	19
Sybron	11.7	31	10.3	0.5	8.4	25	9.3	3.1	8.7	30	5.0	34
SCM	11.6	33	12.9	0.5	9.4	28	8.6	3.0	8.4	33	23.1	13
Litton Industries	11.0	34	33.1	0.2	22.3	34	7.8	6.9	6.3	40	52.8	4
Intl Tel & Tel	10.9	35	13.4	0.5	9.7	31	8.4	4.2	9.3	29	4.0	35
Amfac	10.8	36	15.5	0.9	9.6	36	7.1	3.5	10.8	24	0.6	37
Brunswick	10.8	37	6.0	0.6	5.3	30	8.4	2.4	9.9	28	3.3	36
IC Industries	9.8	38	10.2	0.7	5.7	38	6.1	2.7	19.4	4	13.3	24
Singer	7.7	39	10.6	0.8	6.3	39	5.7	1.2	1.3	42	D–P	
U S Industries	7.7	39	4.9	0.2	4.9	37	6.9	2.3	–3.0	44	–1.6	40
Zapata	7.6	41	13.1	1.7	7.5	41	5.0	5.8	13.1	19	0.0	39
Allied Products	1.2	42	def	1.0	0.3	42	2.6	def	5.1	41	–30.9	41
National Kinney	def	43	def	3.2	2.1	43	0.1	def	–2.5	43	P–D	42
IU International	**		44.7	0.8	13.6		**	7.7	10.0‡‡	26	26.8‡‡	9
Penn Central	**		11.1	0.6	8.0		**	4.9	**		**	
Industry medians	**15.8**		**16.5**	**0.6**	**9.8**		**9.7**	**3.9**	**11.1**		**14.8**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
††Three-year average. ‡Four-year growth. ‡‡Three-year growth. P-D: profit to deficit. D-P: deficit to profit, not ranked. def: deficit. **Not available; not ranked.

The multi-industry companies have generally been good at managing capital. The way the Eighties look, they had better be.

Multi-industry companies



NO DOUBT ABOUT IT," says James A. Searles, vice president and controller at St. Paul, Minn.'s 3M Corp. "More than ever in the 1980s, multicompany managements will have to address themselves to earning a *very* satisfactory return on capital from their businesses. If they don't, it's going to cost them 15% to 20% to buy capital to support their businesses, so they had better be damn sure they can earn a higher return on that money."

For the multi-industry companies, it's sort of a return to first principles. It was this concern with the efficient use of capital that provoked many of them to diversify in the first place—in the hope of maximizing their long-term returns. And it's what has ever after enabled them to control the increasing spread of their operations. But what in the past was a matter of corporate style has these days become a matter of corporate necessity.

Some multicompanies—3M and General Electric, for example—have made capital allocation a way of life for decades. Others, like Union Carbide and FMC, have more recently begun to deal with the problem in a practical way. Still others will have to, and soon, for capital may not otherwise be available to them. And in so doing they will have to calculate their returns more carefully than ever. After all, unless you're a railroad, a utility or some other asset-dissipating business, you can't afford to borrow at 15% and 20% to invest in a business that yields only 10% or less.

"Under the pressure of inflation," says Kenneth Rolland, chief investment officer of New York's Chemical Bank, "everybody is looking at the *cost* of capital and the *return* from capital." The problem is difficult enough in so-called single-line businesses where the choices may seem more limited. It is agonizing in multi-industry companies where the choices are multitudinous. "When diversified companies look at their portfolio of businesses," Rolland says, "they really have some hard decisions to make over which ones need capital to be productive in the Eighties and yield a high return, and which businesses won't."

Redirecting, pruning, shedding and acquiring are what multicompanies have always faced in a never-ending process. Markets, products, whole divisions inevitably mature, and that's a fact of life that has to be confronted if the whole entity is to continue to earn a decent return on its capital. Even a GE has had to face the necessity of getting out of vacuum cleaners or analog clocks or, most dramatically, mainframe computers.

But efficient capital allocation isn't simply a matter of dumping the losers and cultivating the winners. It's also a matter of working every dollar as hard as you can. Even so prodigious a performer as 3M faced that problem as far back as the mid-Seventies. Though its growth had not slackened significantly, its return had nonetheless begun to slip. Unlike most multicompanies, 3M has grown entirely from within—from the vast profusion of new products thrown off by the 4.5% of sales it commits every year to research—so that it

Multi-industry companies

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Minn Mining & Mfg	22.3%	1	22.7%	0.1	19.8%	1	18.8%	11.3%	13.4%	5	14.3%	**13**
Vulcan Materials	22.2	2	22.2	0.3	16.0	4	15.2	9.0	13.6	3	19.1	5
Rollins	21.7	3	20.0	0.1	17.2	3	17.5	8.9	12.9	6	13.2	**15**
General Electric	20.3	4	20.2	0.1	18.1	2	18.1	6.1	11.4	8	12.2	**19**
American Brands	18.7	5	26.2	0.3	17.6	5	13.2	6.3	9.7	**12**	13.1	**16**
RCA	17.7	6	15.3	0.9	11.0	**12**	11.7	3.9	9.6	**14**	26.1	4
Martin Marietta	17.3	7	18.7	0.1	15.2	8	12.9	7.3	10.5	9	16.6	7
Crane	16.8	8	12.1	1.0	7.9	**19**	9.9	2.9	6.3	**24**	10.7	**22**
Bendix	15.9	9	17.0	0.4	15.1	6	13.0	5.0	10.5	9	15.5	9
Koppers	15.6	**10**	10.9	0.4	8.5	**11**	11.8	3.4	15.0	2	12.9	**17**
Corning Glass Works	15.4	**11**	13.5	0.2	11.9	7	12.9	7.6	8.1	**21**	16.8	6
Sperry	14.8	**12**	15.1	0.2	11.1	**14**	10.8	5.8	10.2	**11**	14.8	**12**
PPG Industries	14.3	**13**	14.7	0.4	11.0	**16**	10.7	6.3	12.1	7	13.7	**14**
Union Carbide	14.2	**14**	16.2	0.4	10.9	**18**	10.0	6.7	13.6	4	8.0	**23**
Westinghouse Electric	13.9	**15**	17.8	0.2	15.2	**13**	11.5	4.9	5.0	**27**	16.4	8

Note: Explanation of Yardsticks calculations on page 49.

naturally sought solutions internally rather than through acquisitions or dispositions.

"We addressed ourselves then to the consumption of and need for capital," Jim Searles recalls. "Our margins were not what they should have been during that period. So we cut our inventories to rock bottom, and we've taken much more care not to carry a big payroll. We've emphasized cash management and productivity, and they've helped keep margins and return on capital high. It's showed up dramatically during the current recession. We've kept our needs so tight that in 1980 we required no borrowing at all. That's the nice thing about an internally developed company. Unlike companies that have grown mostly by acquisition, you can see the need and move swiftly."

Chemical Bank's Rolland (left) *and 3M's Searles*
Capital allocation is the high-priority issue.

The art of capital allocation also involves calculating such investments in the context of a dynamically changing world, filling in gaps that have developed because a company's economic world has changed dramatically—as it did for most companies following the 1973-74 oil embargo.

Take General Electric. In the mid-Seventies it felt that in an inflationary environment it needed a large international natural resource base to balance and buttress its vast manufacturing activities. And so, in 1977, it acquired Utah International with its coal, copper, uranium, iron ore and oil business for $2.1 billion. Utah may not do much for GE's earnings in the short run, but as the 1980s progress, it should support itself, begin earning a handsome return and strengthen the rest of GE. So should GE's 1980 acquisition of Intersil, a semiconductor company, which will buttress GE's existing electronic business and give it an entrée into emerging electronic technology. "We don't buy a business for its profitability alone," says Daniel Fink, GE's senior vice president for corporate planning and development. "Our acquisitions are designed to accomplish a purpose. For all our diversity we see ourselves as a single company and our management style reflects that. We have a large central research and development base that supports the whole company and cuts across it. That's quite different from a conglomerate, which has to manipulate its portfolio as a means of controlling its pieces."

"In a slow growth economy," Chemical Bank's Rolland observes, "the most important question is, does management visualize the right areas they ought to be in? For any company, that is very difficult to do. Either you are going to stagnate or decline, or you decide what you can be—profitably."

An increasing number of multicompanies are doing that today. Last summer, for instance, Esmark decided to sell off both its meat-packing and oil businesses and concentrate on its less-capital-intensive consumer and specialty chemicals business. The decision may or may not prove to have been correct, but the logic is impeccable. On the one hand, Esmark's management concluded that it was incapable of earning a decent return with its long-ailing meat-packing operations, and, on the other hand, that it lacked the capital to exploit fully its otherwise splendid opportunities in the oil business. And so it was prepared to sell off both for more than $1.2 billion and put the proceeds into the more manageable and profitable operations that remain and shrink its capitalization by half.

Rolland believes that capital efficiency will be the most significant factor in corporate success during the decade ahead, and that investors will put a premium as they always have on companies earning a better than average return. Whatever results they achieve, such companies are unlikely to win more of a premium than the hot stocks of the moment—electronics or energy, for example—but they stand a good chance of commanding more of a premium than a single-industry company. "You take more risk in single-industry companies," says GE's Daniel Fink. "Look at what's happened to some growth companies a decade later. Multi-industry companies, on the other hand, have a potential for more assured growth over the longer term." Well-run ones, that is.—**Howard Rudnitsky**

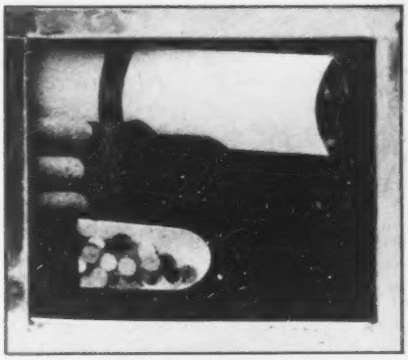
Multi-industry companies

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Borg-Warner	13.6%	**16**	11.9%	0.1	11.1%	**10**	12.1%	4.9%	9.5%	**15**	15.2%	**11**
Alleghany	13.5	**17**	15.7	0.4	10.6	**9**	12.6	4.8	41.8	**1**	15.5	**10**
FMC	13.5	**18**	12.6	0.4	9.3	**20**	9.7	4.1	9.6	**13**	12.6	**18**
National Distillers	12.9	**19**	10.5	0.3	8.4	**17**	10.2	5.0	8.2	**20**	10.8	**21**
Allis-Chalmers	12.4	**20**	8.2	0.4	6.7	**21**	9.5	2.8	9.1	**18**	32.1	**2**
NL Industries	11.9	**21**	15.0	0.4	11.5	**23**	9.3	6.1	6.9	**22**	6.4	**24**
Curtiss-Wright	11.6	**22**	15.1	0.3	12.8	**15**	10.7	10.0	4.7	**28**	26.7	**3**
Esmark	11.4	**23**	11.2	0.6	7.7	**26**	8.2	2.4	6.7	**23**	3.8	**26**
Olin	11.4	**23**	10.4	0.4	8.0	**24**	8.9	4.2	9.3	**16**	33.3	**1**
Genl Tire & Rubber	10.9	**25**	2.6	0.3	2.8	**25**	8.3	1.2	9.3	**17**	6.1	**25**
Sperry & Hutchinson	10.3	**26**	8.1	0.2	7.4	**22**	9.4	2.5	5.1	**26**	1.0	**27**
Dillingham	9.2	**27**	14.6	0.7	9.2	**27**	6.1	2.7	8.7	**19**	11.5	**20**
GAF	3.0	**28**	5.8	0.5	4.5	**28**	3.2	1.6	5.6	**25**	–20.2	**28**
Industry medians	**14.1**		**14.9**	**0.4**	**11.0**		**10.8**	**5.0**	**9.6**		**13.5**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Think the cosmetics business, like its customers, is getting too mature to be attractive? Remember, this industry sells hope.



Toiletries and cosmetics

ACCORDING TO CONVENTIONAL WISDOM, companies making cosmetics and toiletries are not only profitable, they're reliably so. Despite six post-World War II recessions, sales have increased every year since 1932. Last year, for example, the industry had sales of $15.6 billion in the U.S., up 12% over 1979 in spite of the business slowdown. The reason? Cosmetics and toiletries are, so the usual explanation goes, "inexpensive pick-me-ups for women who may have to curtail other forms of spending."

Inexpensive and discretionary as such items may still be—when compared with autos and appliances—some analysts now believe that changing demographics and a changing economy may bring those days of dependable profitability to a close for makers of cosmetics and toiletries.

What boosted the industry last year, such skeptics insist, were price increases, 12% or more for many firms. "Virtually all of the 12% growth in sales in 1980 resulted from price increases," says one analyst, "not implied unit growth." Despite the seeming prosperity, concurs Jack Salzman, cosmetics analyst at Smith Barney, "the cosmetics business' unit sales have been down, or flat for the best companies."

Rather than magically defying economic gravity, unit demand in the industry is, and always has been, fairly closely related to real income. In the past several decades, whenever there has been a decline in real income, there has been an actual decline in unit sales. And inflation, which shrinks real income no matter where the industry is in the business cycle, aggravates and progressively worsens the decline in consumer purchasing power.

"The difficulty," says Diana K. Temple of Wertheim & Co., "is that during the early-to-mid-Seventies, unit growth in this industry was far greater, about 4% annually, because real income growth in the economy was stronger. [Now] unit growth has slowed down in line with the real income trend. That makes it a tougher environment for all the companies operating." The result? "We are seeing this industry become increasingly price-sensitive now," says Salzman, "as the result of a real consumer pullback."

Historically, when consumers pulled back, the industry protected its profitability by price increases—an easy way to maintain margins—as it did last year. But if real income growth slows in the future, that may no longer be so easy. The truth is, consumer acceptance of price increases may have had more to do with demographics than with changes in either income or the discretionary nature of cosmetics purchases.

During the Sixties and the early Seventies, the teenage population grew four times faster than the overall population, and this gave the industry a huge new market to sell to. New users inevitably have greater impact on consumption than increased consumption by current users. And when the new user is a teenager there is a double-whammy effect: Teenagers use more sorts of cosmetics, toiletries and fragrances than the average adult.

Then, too, the growth rate of the 25- to 45-year-old age group—whose population grew very fast during the Sixties and early Seventies—is slowing down. This group, the biggest spenders on cosmetics, also provides the models that adolescents emulate in their buying habits. Thirdly, the number of women entering the labor force is beginning to slow down. The result of these population changes, some analysts predict:

Toiletries and cosmetics

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Avon Products	32.1%	1	28.1%	0.0	27.2%	1	31.3%	9.6%	12.3%	6	11.3%	6
Intl Flavors & Frag	23.9	2	22.9	0.0	21.3	2	22.2	14.7	15.9	3	16.8	3
Revlon	22.1	3	20.6	0.2	19.0	3	17.4	8.8	22.1	1	18.0	2
Chesebrough-Pond's	20.3	4	22.2	0.3	17.8	4	16.5	7.3	16.4	2	12.7	4
Procter & Gamble	19.4	5	19.1	0.2	14.8	5	15.0	5.9	14.4	5	12.0	5
Kimberly-Clark	19.1	6	14.2	0.2	12.1	6	14.4	7.0	10.4	9	22.6	1
Gillette	17.5	7	19.0	0.4	14.2	7	13.1	5.5	11.1	8	4.1	9
Colgate-Palmolive	13.9	8	9.7	0.3	8.1	8	12.2	2.3	14.4	4	5.5	7
American Cyanamid	12.8	9	11.6	0.4	8.9	9	9.9	4.6	12.1	7	4.2	8
Industry medians	**19.4**		**19.1**	**0.2**	**14.8**		**15.0**	**7.0**	**14.4**		**12.0**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49

Unit growth rates, usually double that of GNP, may now only equal it.

These gloomy demographics don't faze executives in the industry, however. Charles Chapman, president of the health and beauty products division of Chesebrough-Pond's, says, "We have seen shifts, but not drastic changes in the buying habits of the consumer." Sometimes a decline in consumers' real income, Chapman points out, can work to the manufacturer's advantage. Unit sales of home permanents actually picked up when women began treating their hair at home rather than in a salon. Furthermore, some products, like Vaseline and Pond's cold cream, have had strong sales because women use them for many purposes rather than buy special-purpose items.

Then there are those who dispute the importance of much of the demographic statistics. Paul P. Woolard, senior executive vice president at Revlon, says, "Although the growth rate of the 25-year-old-to-45-year-old group may begin to slow down this decade, this age group is going to be at its maximum for this whole decade. And this is the group that spends the most on cosmetics. Our prime target will never have been bigger, and will stay large for some time. The flip side of the declining teenage growth rate is that young people who were in that group are growing older and moving into the prime spending group. There's room for growth for most cosmetics categories. Certainly in color cosmetics or fragrances." Woolard also points out that if the growth rate of women entering the labor force is slowing, meaning most members of that group are in the labor force, they are now using far more cosmetics and toiletries than they did as housewives or students.

Other industry spokesmen point out that much of the demographics slights the importance of new product introduction. Says one, "Look at new product development. Conditioners were not even heard of as little as five years ago. Now you have a major industry there, a $600 million industry. That's added usage, not segmenting. A whole new business. This is an industry characterized by new product innovation."

"Even if the toiletries business looks like it has a fairly low growth curve," says Derwyn F. Philips, president of the personal-care division at Gillette, "you musn't overlook the fact that there are some incredibly dynamic segments. The hair care and postshampoo products are not only selling well, they're a focal point for innovation. The shampoo business continues to be marked by a lot of new product introduction.

"Take our Silkience. That's a premium-price product all across the country. That product has been a resounding success in a time when some people would have you believe consumers are either hiding their money or don't have it, or both. Or take Dry Idea, our roll-on antiperspirant. Dry Idea sells at a 20% premium to practically any other roll-on. And it's the biggest thing to hit that category since aerosols were introduced in the Sixties. Why? Because people didn't want to have to go around flapping their arms to dry off their deodorant before putting their clothes on. We've got a lot of new products on the dock and we look to 1981 and 1982 as really being a solid, healthy and dynamic growth period for us."

"Also, the expected value of the customer going forward into middle age," adds Woolard, "is greater than that of the middle-age customer who will shortly be 65 or 70. For the next couple of decades the [former] age group will be bigger than ever before. We'll constantly be replacing the customers who don't have the cosmetics and toiletries habit strongly with ones who do. We see no product category dying out.

"Our challenge is to recognize the changing needs of the consumer. As they get older, their needs change. You think that, when we have a customer getting older and concerned about their attractiveness, we're going to market to her by saying, 'Hey, old lady, we've got an old lady cream for you'? No way. This industry will continue to be successful because it will continue to market to its clientele by identifying with their needs, not their demographics."

In an industry where psychographics—the mind sets of its customers—has always been the magic ingredient, there are grounds for betting that Woolard is right.—**Steven Flax**

The sweet smell of success

Lest you doubt, even for one moment, the ability of the toiletries industry to come up with new product ideas to sell as absolute necessities, consider this latest wrinkle: environmental scents. Not content to scrub, deodorize and perfume every imaginable bodily orifice or zone, erogenous or not, the industry is now extending its come-hither concern to the inanimate. Your home or office should have a fragrance personality, so the pitch goes, just as you do.

$mells $well

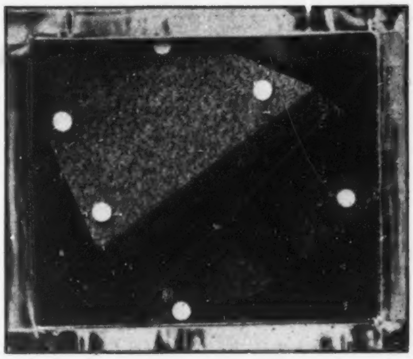
"The mood of today's consumers is olfactory conscious," says John A. Roberts, until recently president of the American subsidiary of Naarden International N.V., the $250 million (1980 sales) flavor and fragrance manufacturer. "Scented products," he continues, "have rapidly become an intimate part of their lives."

Environmental scents aren't just a repackaging of the old, negative, hide-the-stink stuff. Those predecessor products are now looked down upon. "Many of these products," says Miriam Miller, a cosmetics and fragrance marketing rep for the Mutual Buying Syndicate, "carry magic words, music to the ears of the industrious housecleaners, like 'disinfects while it deodorizes.'" They are, she says, dripping with disdain, "death to the senses. The customer needs to be rescued from the supermarket product he and she are being forced to buy now!"

No, this movement is a positive one. To hear former Naarden president John Roberts talk, you'd think he was urging ratification of the SALT treaty: "When will we demand, as taxpayers and voters, from our public officials control of odor pollution in our total environment?" He mentions the many malodors in the streets, the filthy dumpsters, trash cans, bus emissions and, horrors, the smells of fast-food establishments. "I don't have to tell you," he says, "the role that fragrance could play to improve this situation dramatically. What about scented gasoline for buses and taxis? Scented plastic trash cans and trash bags, and scented filters to absorb unpleasant restaurant emissions. Fragrances have been developed. The technology *is* available. The next step is for us as citizens to demand them."

Last fall Macy's opened an environmental scent shop in its main store, and Bloomingdale's and others quickly followed. The choice of products already is staggering: fragrance fountains, potpourris to sew into the hems of curtains, vaporizers, incense, scented candles and sachets, not to mention "aromatherapy" pillows. Whether to have one signature scent for your home or a wardrobe of fragrances is your problem. But shouldn't our bedrooms smell romantic, not merely bacteria-free? Just ask the profit motive. The answer is, emphatically, yes.—S.F.

Given present cost-price relationships and tax laws, the U.S. steel industry is no longer viable. So says U.S. Steel's David M. Roderick. But that may be beginning to change.



Steel

THE $50 BILLION STEEL INDUSTRY is the Mississippi of industries—slower growing and lower profit than even the railroads. But though critics have tended to blame mismanagement, corporate arrogance and technological wrongheadedness, the industry itself has always claimed it was being hurt primarily by a host of misconceived government actions—from wage-price controls and too stringent environmental regulations to short-sighted tax policies and lax enforcement of import restrictions. Plagued by recession and heavy import competition, most U.S. companies lost millions from steel operations for much of last year, but there were some signs that a more congenial governmental climate was in the making.

The agreement between U.S. Steel and the Carter Administration establishing a new trigger-price mechanism (which effectively sets a minimum price for imported steel), as well as the prospect of more enlightened tax policies under the incoming Reagan Administration, may prove the foundation on which a modernized and competitive steel industry can be built. To find out how the industry itself assesses its prospects, FORBES sat down recently for a chat with the head of the industry's biggest and least profitable company, U.S. Steel's outspoken chairman, David M. Roderick.

Roderick: I think what happens depends on the tax proposals Reagan makes and what that does to the economy. I believe the Reagan people are sensitive to the steel problem. When Mr. Carter's steel policy was announced, Reagan made the comment that it looked like *his* steel policy and that, if anything, it did not go far enough.

What you're suggesting is that Reagan's tax policies can make a really big difference for your industry?

What most people do not keep in mind is that only about 30% of the steel in this country relates to current consumption—cans, automobiles, that type of thing. All the rest, 70%, finds its way into capital goods—buildings, bridges, equipment and so forth. So if you get a tax bill that is supply-side oriented, if it stimulates investment, it's going to be a very positive thing for the steel industry.

The steel industry has been critical of government policy for a long time, at least since Kennedy and Roger Blough nearly came to blows over prices.

The Kennedy confrontation was probably the most dramatic change of attitude on the part of the government. But, frankly, all administrations since then have failed to recognize what was happening in the world and to provide any financial leadership. Their perception of what was a competitive tax system internationally is really quite shocking. When you see the inflation that we have had and realize we still have a tax system that's based on original book value and useful life rather than a capital recovery concept, you can understand why, as a capital-intensive industry, we have paid a horrendous price for the economic deficiency of our taxmakers.

What sort of price?

The steel industry has been in involuntary liquidation certainly for the last 15 or 20 years. Its depreciation and profit margins have been totally inadequate to reproduce the same capacity in modern facilities. So there has been an absolute liquidation of total capability to the industry.

So your profits, such as they were, were overstated because of inadequate depreciation. Then those profits were partly taxed, de-

Steel

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Armco	12.3%	1	14.4%	0.3	10.3%	1	8.8%	4.4%	11.9%	1	10.6%	2
LTV	11.7	2	20.4	2.2	7.6	5	5.2	1.4	8.6	6	16.7	1
Kaiser Steel	9.4	3	23.8	0.6	14.7	2	6.8	13.7	8.1	8	5.4	3
Inland Steel	9.0	4	1.7	0.4	2.2	3	6.8	0.7	10.8	3	1.4	4
National Steel	7.2	5	6.2	0.4	4.9	4	5.5	2.4	11.6	2	0.4	5
Republic Steel	5.3	6	1.4	0.3	1.5	6	4.3	0.6	10.3	4	–0.8	6
Bethlehem Steel	3.2	7	4.0	0.4	4.0	7	3.3	1.5	8.4	7	–21.1	7
United States Steel	0.0	8	def	0.4	def	8	1.3	def	9.4	5	–55.9	8
Industry medians	**8.1**		**5.1**	**0.4**	**4.5**		**5.4**	**1.5**	**9.9**		**0.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
def: deficit.

priving you of the cash flow needed to modernize and rebuild.

That's right.

At the same time, you haven't gone out of your way to win favor from the government. The Carter Administration asked you not to file antidumping claims against European steelmakers in 1979, and you went right ahead and did so. Why was it necessary?

In the three years before the President took office [1974-76] imports were about 13% of total consumption. In the first year of his presidency imports jumped to almost 18%. There was an international perception that Carter was not going to be sensitive to the import problem. The President reacted by installing the first trigger-price system. But it was not well structured, and it was not enforced.

We tried to get the Administration to reform the trigger-price system. The Economic Policy Committee finally came out with the position that if any dumping suits were filed they would discontinue the trigger-price mechanism. Well, they threatened me with discontinuing something that wasn't working. The fact that they revamped it pretty well indicates there were massive defects. It also showed the Europeans and others that, if a voluntary administrative procedure was not working, the industry didn't have to sit there being abused.

The industry complains of unfair foreign competition. How is it unfair?

Let me give you an example of the massive extent of subsidies. People debate whether the Europeans are dumping. That's a joke! A total joke! In the last five years the losses of five of the seven largest steel producers in Europe have totaled $14.5 billion. That is the equivalent of the total net worth of the seven largest steel companies in the U.S. We would have all been bankrupt. Not one of them is bankrupt and not one of them has discontinued exporting into this country. Now, how do you stay in business when you lose $14.5 billion? Very easily, if your government keeps giving it to you. They're not competitive with us. They abuse this market when they come here and sell under our prices and under their cost.

Such governments obviously place a high value on maintaining a viable steel industry. But you're not suggesting that the U.S. should provide some sort of subsidy itself?

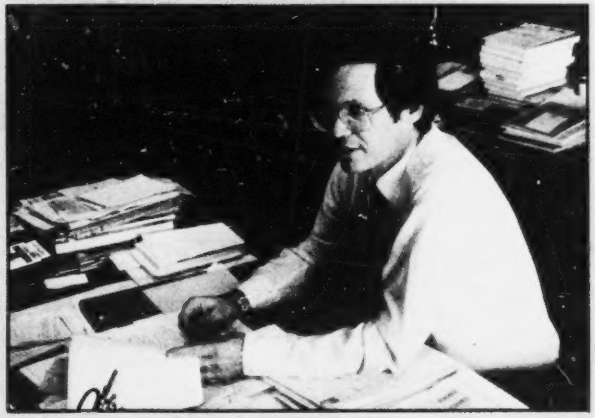
You cannot permit a government, which has the power to pay for its foolishness, to compete with private enterprise. See, the marvelous thing about the free enterprise system is that you can be as foolish as you wish to be, but failure is the discipline of the system. When you take it out, or when a

"Either the Japanese were extremely clever . . ."

One reason the steel industry has had so much difficulty in getting much government help with its problems is that industry and Washington don't see these problems in quite the same way. Take Richard N. Cooper, a specialist in international trade at Yale who came to Washington four years ago, was Under Secretary of State for Economic Affairs in the Carter Administration, and who will be returning to academia, though to Harvard rather than Yale, after the Administration shuts down in January.

Cooper disagrees that the newly revamped trigger-price mechanism will do much for the industry's problems because, as he sees it, it's designed to solve only one problem, and a potential problem at that—dumping. "When people talk about dumping, all too often, they mean competition that they have difficulty meeting." Dumping, Cooper explains, consists of either selling a commodity overseas below the price it sells for in the home market or selling at below the cost of production plus a normal 8% profit. Antidumping legislation should quash the pricing of exports at variable or out-of-pocket costs, but if anybody has done that, Cooper hasn't been able to find any evidence.

"If I were European or Japanese," he says, "I'd put it the other way around. The Americans have a tremendous advantage because when demand slackens, they can lay off part of their labor force. That's an accepted practice in the U.S. In Japan, it is not. Therefore, the wage bill becomes a fixed cost for the Japanese whereas it is a variable cost for a U.S. firm. That leaves the U.S. firm much better off when it comes to rolling with the punches of fluctuation in demand."



Under Secretary of State Richard N. Cooper

The problem isn't "dumping"; it's bad management.

Cooper gives short shrift to the notion that the U.S. industry is at a competitive disadvantage because the Japanese subsidize their steel industry. "I came into the government in the first year of the Nixon Administration, and we pulled out all the stops to find Japanese subsidies. As far as we could tell, either the Japanese were extremely clever in figuring out ways to subsidize, or it was a complete fabrication by the U.S. industry—*i.e.*, scapegoatism."

Cooper's suspicions are clear. He argues that U.S. companies—steel excepted—have had little difficulty in competing overseas, state-subsidized competition or no. "If you actually look at our trade performance, it has been fantastic. The fact is, we can compete and are competing. Even countries that are trying to produce computers and civil aircraft to compete with us continue to buy our products in ever greater volume. Obviously, we don't want to accept a regime in which American business has to compete on equal terms with the entire fiscal systems of other countries."

Cooper also denies the Japanese were able to win their edge because between 1945 and 1970 the yen was undervalued by the U.S. for foreign policy reasons, just as he also denies that the U.S.' foreign economic policies have been designed to serve foreign policy rather than economic ends. "If I wanted to be provocative, I would say it has been too much influenced by domestic special interests. There's a perfectly good economic policy case, as well as a foreign policy case, for going to free trade. We have not gone to free trade. We have worked for what is called an open trading system in which one tries to minimize—not eliminate—the government impediments to trade. We have done that on the assumption that it is good economic policy and good foreign policy. And that's an assumption that has been, by and large, shared by the other industrial countries."

If it's not government intervention, government competition, dumping, subsidies or currency disparities, what's the steel industry's basic problem? Cooper has an answer for that too: pure and simple bad management.—S.N.C.

U.S. Steel Chairman David M. Roderick
The problem isn't bad management; it's the U.S. government.

government subsidizes economic foolishness, you begin to destroy the free enterprise system.

The new trigger-price mechanism will protect you for five years by imposing penalties whenever imported steel prices drop below certain specified levels. Will that give the steel industry enough protection to permit it to regain its competitive muscle?

I think you could get a good start at it. Keep in mind, we are competitive today for our market. There are only a few countries in the world that can serve this market as economically as we can. But can we further modernize and lower our costs more? The answer is yes.

Can you really claim to be competitive when analysts say that Japanese production costs are at least 14% lower than the U.S.'?

They're saying their costs are lower *in Japan*. But they've got to load it, they've got to ship it, they have a little duty to pay too. We're merely taking our truck and running it 50 miles up the road. There's a tremendous difference.

Enough to offset their production cost advantage?

More than enough.

Critics of the American steel industry claim that unfair foreign competition is less important than an unwillingness on the part of the industry to adapt to new technologies. The point has been made that 17% of steel made in the U.S. is still made by the open hearth process, which hasn't been used in Japan in years, and that only 17% is made by the continuous casting process, vs. 50% in Japan.

That's not an indictment. When you say we haven't put in as many continuous casters as the Japanese, that's true. If we had the cash flow in the steel sector, would we have more casters? Yes. If we had the cash flow, would we still have 17% open hearths? No. It gets back again to that very simple problem: that it wasn't what you invested in that was bad. It was merely that you didn't have enough to do all the things that you really should do to accelerate your modernization. It's that simple.

What does the industry need to be viable? Is it viable today?

I think at its present cost-price relationship and with the present tax laws, the answer would clearly be no.

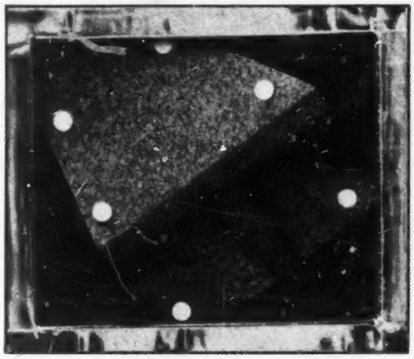
But not because your costs are out of line. Because you can't price your product adequately in the face of subsidized import competition.

What we really need is volume, and volume is a function of making sure that the imports market is not continuing to get all the growth and that all the opportunity is not going to subsidized plants abroad. That's number one. Secondly, we have to get an improved tax code that will permit accelerated depreciation and the types of things that will help bring about a greater cash flow so that you're not taxing phantom profits. And thirdly, there has to be an improvement in the profit margins over and above what we have been able to experience in recent years. All three of these things have to happen. If you get one without the others, it's not going to be effective. If they fail to happen then, quite obviously, you're going to have a shrinking steel industry.

Even one strike, and you're out. It's not a very encouraging prospect. —**Subrata N. Chakravarty**

It's been down so far for so long, there may be no other place for it to go but up.

Specialty steel



DAVID M. RODERICK, CHAIRMAN OF U.S. STEEL, seems content that some progress has been made in strengthening the U.S.' basic steel industry through a reconstituted trigger-pricing mechanism. But no such optimism pervades the specialty steel segment of the business, which was specifically excluded from the TPM provisions. The specialty steelmakers—which turn out products like stainless, tool steels and high-temperature alloys—have been under attack by import competition every bit as remorseless as that which afflicts basic steel itself, and TPM, curiously enough, is likely to hurt more than it will help.

For the view from the other end of the industry, FORBES talked with William H. Knoell, president of Pittsburgh's Cyclops Corp., one of the four largest U.S. specialty steel companies.

The specialty steel industry is far stronger than the basic steel industry. Why are you so concerned about not being included in the trigger-price mechanism?

Knoell: Because historically we have had as severe or more severe problems with imports than carbon steel has. Until the voluntary restraints period in 1966-67, we really didn't have an import problem. The voluntary restraints were simply tonnage agreements with the rest of the world on how much steel they could ship. Foreigners had only a tonnage limitation, so they switched to the higher-valued specialty products, and we got clobbered. Total tonnage of imported steel went down, but imported specialty steels went way up. We are very concerned that there will again be a deflection to specialty steels because of the restraint on carbon steel. It's sort of like declaring an open season."

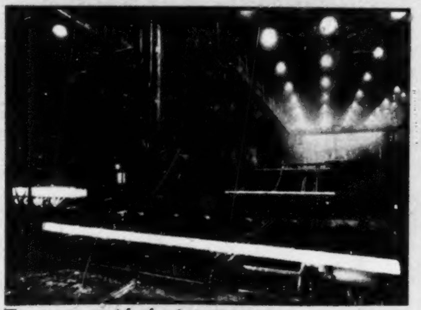
Why weren't you included in the TPM?

It was an accident of timing that the initial trigger prices came out in 1977. We had gone to the International Trade Commission earlier and had already won quotas [from 1976 to February 1980]. So there was no reason to include specialty steels. The level of imports in specialty steels has generally run at a higher level than basic carbon steel. Take stainless bars. In 1975, before the quotas, imports were 23% of sales. Carbon steel was maybe 14% to 15%. During the quota period bar imports dropped to 15.9% but in the first six months of 1980, since quotas ended, they have jumped back to 20.1%. We are saying that the import level runs a very great risk of jumping right back to the high levels that existed when we first brought our case.

Is the specialty steel industry behind the rest of the world in technology and modernization?

By and large, we believe we are the world's low-cost producer. There haven't been the basic changes in technology as in the basic steel industry. We have as good equipment as there is anywhere in the world.

The solution that's not a solution



Toe to toe with the Japanese

America's most profitable steel company doesn't want government help, trigger-price mechanisms or other import protection. It competes with the Japanese on equal terms, and it doesn't face the same problems as the rest of the industry because it has deliberately built its company to avoid them. The company is Nucor, a minimill producer, with three mills, 1 million tons of steel output, a net income of about $45 million on $480 million in sales and a 30%-to-40% return on stockholders' equity. Unlike the big integrated companies with mines, coke ovens and blast furnaces, Nucor operates off scrap in modern electric-arc furnaces and continuous casters.

Nucor's basic advantage is that in building the company President F. Kenneth Iverson, 55, was able to start from scratch. As a result, his production costs are considerably lower than either the industry average or his Japanese competition. "Our average plant is something like 4½ years old," he says, "and we have been able to take advantage of all that new technology." Using innovations like continuous casting, Iverson has held his energy costs at $38 a ton, *vs.* $60 to $70 a ton at the average U.S. mill. Better still, he has held his labor costs to $50 a ton, *vs.* an estimated $130 a ton for the eight top steelmakers. He's done that by locating his mills in such unlikely places as Norfolk, Neb., Jewett, Tex. and Darlington, S.C., where he doesn't have to hire union labor or put up with union work rules. Swapping incentive payments for productivity, Nucor paid its hourly workers at Darlington an average of more than $22,000 last year, *vs.* $23,800 for the industry.

With such a cost basis, Nucor has been as price-competitive as any Japanese or British exporter. "If it takes a price cut to take an order, they'll take it," says Drexel Burnham Lambert analyst David Healy, "and since they are probably the lowest-cost steelmaker in the world, they can afford to cut." Which may be why between 1974 and 1979 Nucor's sales increased 167%, while production tripled. With such price flexibility, Nucor's prices on most of its products are already below the trigger-pricing levels designed to keep out imports. Small rods, for example, sell at $290 a ton, *vs.* the $350 to $370 trigger-pricing level. Over time, says Iverson, trigger pricing won't make U.S. steel competitive, it will only keep prices artificially high, encourage manufacturers to relocate abroad and delay "the inevitable closing of 8% to 10% of our steel industry that is so antiquated it can be neither modernized nor made environmentally acceptable."

Nucor has no such problems. "Over 50% of our markets are dominated by foreign steel," Iverson says, "yet most of our market share increases have been at the expense of foreign steel." And he adds jokingly, "We could ship to Japan but we can make more profit selling steel here."

It's a solution that's no solution: closing down much of the industry and starting all over again.—Jon Schriber

Specialty steel

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Nucor	32.8%	1	37.7%	0.3	29.0%	1	23.6%	10.3%	24.3%	1	32.2%	1
Colt Industries	18.2	2	17.5	0.4	11.5	5	11.6	4.5	15.2	2	15.7	3
Carpenter Technology	17.9	3	17.3	0.0	16.1	2	16.4	7.3	13.2	4	20.1	2
Earle M Jorgensen	17.7	4	16.9	0.2	14.6	3	14.9	5.7	10.9	9	14.6	4
Crane	16.8	5	12.1	1.0	7.9	10	9.9	2.9	6.3	18	10.7	7
Athlone Industries	15.1	6	5.3	1.5	4.6	12	8.3	1.0	5.9	19	11.6	6
NVF	14.1	7	7.9	2.4	3.5	8	11.5	2.5	9.3	12	9.5	9
Copperweld	13.4	8	10.8	0.3	8.4	9	10.6	3.6	11.7	7	4.0	13
Central Steel & Wire	13.3	9	8.3	0.0	8.0	4	13.0	1.8	12.4	5	12.0	5
Hanna Mining	13.1	10	11.5	0.2	9.4	6	11.6	12.8	8.6	13	9.7	8

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

Specialty steel

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Allegheny Ludlum Inds	12.1%	**11**	21.1%	0.7	10.0%	**14**	7.0%	4.6%	11.8%	**6**	8.5%	**10**
Northwestern Steel	11.7	**12**	7.8	0.0	7.7	**7**	11.5	4.7	8.4	**14**	–0.6	**15**
National-Standard	10.8	**13**	4.8	0.2	4.1	**11**	8.4	1.7	9.9	**10**	7.2	**11**
Lukens Steel	7.9	**14**	3.0	0.3	2.3	**15**	6.7	1.1	7.5	**15**	3.9	**14**
Interlake	7.7	**15**	2.4	0.5	2.7	**13**	7.0	0.7	13.3	**3**	–0.9	**16**
Cyclops	6.8	**16**	def	0.4	1.3	**16**	5.3	0.0	9.6	**11**	6.9	**12**
Wheeling-Pitts Steel	3.4	**17**	4.9	0.4	4.4	**17**	3.4	1.9	7.4	**16**	–12.7	**17**
Keystone Consolidated	def	**18**	def	0.4	def	**18**	0.8	def	6.6	**17**	P–D	**18**
McLouth Steel	def	**19**	def	0.7	def	**19**	def	def	11.4	**8**	P–D	**18**
Industry medians	**13.1**		7.9	**0.4**	7.7		9.9	**2.5**	9.9		8.5	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

If you have a cost advantage, why are you concerned about import competition?

Because so much of the rest of the world's steel industry isn't being operated with the same criterion of earning a profit to be in business. They come in, and they attack the big-volume products that are the underlying support of our operations. We at Cyclops have shut down our wire operation, we've shut down our rod operation. We're concentrating on high-temperature metals, things that aren't subjected to import competition. The problem is that these products share facilities with other products, and when you lose the throughput of the other products, it begins to hurt your business.

When you say the rest of the world doesn't operate its steel industry with the same profit criterion, I assume you're talking about government involvement?

After World War II the rest of the world recognized that the underpinning, the guts of an economy, is the steel industry. So it's been nationalized, socialized and government-supported throughout the world, more often than not, even in nations that practice a market-type economy.

But that's not true in Japan.

The Japanese selected it as a target industry and funneled their resources into it. The Japanese steel industry has 87 cents of debt for every 13 cents of equity. Well, that's not the kind of capital structure that a marketplace economy will support. You'd better have a friendly banker if you're going to have that much debt to equity. The Japanese *have* a friendly banker. It's their central bank. We're dealing with a very fundamental issue. How is an economic system that is state-run—run for employment with the taxing authority of the nation being used to provide the capital—going to interface across an international border with an economic system over here that operates on a marketplace system?

Still, the industry has been spending its money on diversification and dividends instead of investing in the industry.

When we look at an investment we look at how much return we're going to get on it. All during the 1960s, there was not an attractive return to be made investing in steel. But you're saying: "Well, you should invest in steel anyhow." Is that the way our marketplace system is supposed to work? Isn't the money supposed to go to the investment that shows a return?

The end point of that argument is clearly that you don't belong in the industry.

We *have* been liquidating capacity. The industry can't justify investments in steel because there isn't any profit in it. The return in our industry has been so bad that it is viewed as a terminal case in profitability. But it so happens that we're the most profitable steel industry in the world. We earned 2.9% on assets in 1979. That's lousy, isn't it? But it's a helluva lot better than 1.1%, which is what the Japanese earned. We've been liquidating the industry with that kind of return on our assets. We can't attract equity—you know what steel stocks sell at. There's something wrong with the system when the most profitable steel industry in the world can't justify investment. The steel industry in this country isn't going to disappear. But if it is going to be run as a nonprofit operation, it's going to end up as a government operation. They are the only people who run nonprofit operations very long.

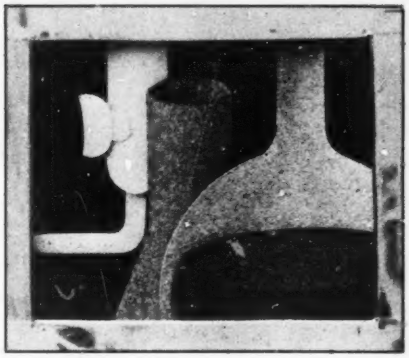
Even if you're covered by TPM, how long will you be protected?

It annoys me when you use the word "protected." The trigger price is a trigger to investigate unfair trade. That is not protection, because I don't think unfair trade is something that you ought to be subjected to. That's saying that the law of comparative advantage isn't working. The guy that has got higher costs is able to take your market for some artificial reason. I don't think that's right.

Still, aren't we talking about a perpetual trigger price?

The openness of the U.S. market and the fact that we've allowed this to happen for 20 years has encouraged much of the rest of the world to build steel capacity. This country absorbed all of that steel, and nobody raised any fuss about it. What's happened in the last four years is that there's been a message delivered from this country. The message is: Get your goddamn house in order. We're not going to shut you out, but straighten up, quit adding capacity. The message is getting through. If it had been delivered 15 years ago, Japan wouldn't have added all that capacity. They would have slowed down as they are now slowing down. Europe is doing some rationalization, cutting back their capacity. But it can't get corrected overnight. The trigger price will provide the rest of the world with some time to adjust to the fact that they're not going to ship here. Then our trade laws can be used effectively, because they can pick on an individual situation. The problem today is that the unfair trade is so massive that our trade laws, as they are structured, can't deal with it. I'm bullish on steel. I think the next decade for the steel industry is going to be dramatically different from the last couple. At the moment we happen to be standing in the bottom of a hole.—**Subrata N. Chakravarty**

So far, American petrochemical producers have little to worry about from upcoming Middle East competition. But will it last?



Chemicals

THE 1980s WILL BRING A CHANGE to world petrochemical markets—the entry of developing countries, especially in the Middle East, into the business. What will that mean to American producers? That's a question they have been asking themselves for years, and nobody yet has an answer. So far, only a few plants have gone into production, and construction on the giant Bandar Khomeini complex in Iran has ground to a halt in the latest holy war.

But Saudi Arabia now has firm agreements for five major joint ventures with foreign partners that would bring 3.2 million metric tons in net basic petrochemical production on stream between 1983 and 1985, and negotiations are in progress for another 1.5 million metric tons of capacity. Kuwait and Egypt are talking about building ethylene plants, Israel reportedly is thinking of expanding its plants. Add to that the prospect of future petrochemical development in Mexico, Canada and other countries with plentiful oil and gas reserves, and the uncertainties multiply. "There are a lot of foreigners who could participate in the world market after 1985," says analyst Sano Shimoda of First Boston. "How big the numbers are has yet to be determined. But I think all the American companies are going to adjust their strategies to deal with that."

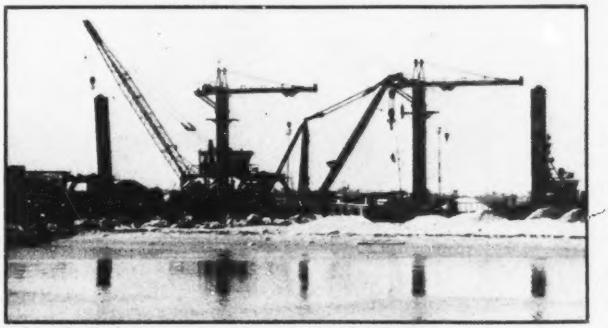
For the short term, at least, those American producers are not greatly worried. They point out that the Saudis, by far the biggest factor in the current wave of Mideast petrochemical development, have said they want only 4% of the world market—equivalent to about one year's growth in worldwide demand. At first, most of the output will go to the U.S., Europe and Japan, later to the Third World—the Mideast, Africa, India and Southeast Asia. More to the point, it should move at competitive prices. The Saudi cost advantage resulting from cheap and abundant feedstocks and favorable financing will be offset by high shipping costs and by the cost of building in the Middle East, which can run 40% to 60% higher than that of building a similar plant on, say, the Louisiana coast.

But producers are still nervous. A lot depends on the Saudis entering the market in an "orderly fashion," as they have promised. Everyone agrees that even a 4% or 5% chunk of additional capacity, if it came during a period of oversupply or even balance of supply and demand, could disrupt world prices for a short time. After all, a government-backed venture has certain advantages. If the Saudis have trouble getting rid of their chemicals, they can always dump them on the market or, more likely, tie crude oil purchases to chemical purchases. Either way, competing American petrochemical exporters could get hurt, at least temporarily.

"If all the plants came in in the same year, there's no question but what there would be some disruption," says J.E. Mitchell of Dow Chemical, who as director of corporate planning has been following negotiations for Dow's joint venture with the Saudis. "But I don't think they will. I don't think the

How it works

The largest of the petrochemical complexes planned for Saudi Arabia is the "grass roots facility" at Al Jubail, a joint venture between Sabic (the state industrial development company) and Shell (FORBES, *Nov. 24, 1980*). The main inducement for American companies to go into joint ventures with the Saudis has been the promise of crude oil. Although details haven't been worked out yet, Shell will probably get on the order of 200,000 barrels of crude a day, which it can use as a source of feedstocks for its petrochemical plants at home. In return, Shell will provide its technological and marketing skills and training.



Sabic-Shell plant construction site at Al Jubail

Because building a plant in Saudi Arabia takes longer and costs more than it would in the U.S., the Saudis are offering some very attractive financing: 70% of the $3 billion complex will come from loans provided by the Saudi government and commercial banks. About $800 million in equity will be shared equally by the partners, Sabic and Shell, who will split the proceeds on a 50-50 basis. The low price of Saudi natural gas feedstocks will offset shipping costs and import duties.

When the complex gets into production in 1985, it will produce about 1.6 million metric tons a year (net) of ethylene, ethylene dichloride, styrene, ethanol and caustic soda—all basic petrochemicals used as building blocks for more complex products. Shell will have the right to market half the product; the Saudis will have the right to market the other half themselves, but will probably have Shell sell it for them at first. Shell plans to bring most of the chemicals back to its own plants in the U.S. to be refined into higher products—ethylene dichloride into vinyl chloride monomer (a precursor of plastic), for example, and styrene into polystyrene. The rest of the Al Jubail output will be sold primarily to third parties in the U.S., Europe and Japan.—J.C.

earliest plant will be in until 1985, and the rest will spread out between 1985 and 1990." Target dates for plant completion have a way of stretching out in the Middle East, where almost all parts must be imported and working conditions are difficult. And besides, the U.S. partners in such ventures will be in a position to slow down the projects if they see that capacity will be coming on at a bad time. "The partners are looking at their worldwide balance of capacity needs," says Harry Flavin, a Houston-based analyst with Merrill Lynch. "They're planning to fit this in, but if the system says 'we don't need it,' they're going to do their damnedest to make sure it doesn't come until they're ready for it."

One thing at least seems certain: Once the Saudis get their petrochemical operations on stream, the competition will mount, especially for the small but fast-growing Third World markets the Saudis are aiming for over the longer term. The American and European companies may find themselves being pushed back. If nothing else, by the time the Saudi plants go into full swing, according to Bruce Pickover of Chem Systems, decontrol will have wiped out most of the competitive advantage U.S. producers have had because of their price-controlled feedstocks.

But the problem is probably more basic than that. As the copper producers learned to their grief in the Sixties and Seventies, private enterprise in competition with government is always at peril. Governments manage their business enterprises for purposes that have nothing to do with profit or loss. They go on producing when they ought to shut down, go on expanding when the market is already oversupplied—because they need to invest their excess capital for lack of anything better to do with it, because they have political goals that have nothing to do with economics. Perfectly valid reasons, to be sure. But such reasons can nonetheless beggar the private enterprises forced to compete with them.

The big question is, what will happen after 1990? By then the Saudis should be ready for further expansion, and other petrochemical plants as yet unplanned in countries like Mexico, Canada or Brazil could be coming on stream. "Saudi Arabia will be the biggest factor, but it won't be the only one," says Dow's Mitchell. "And if the Saudis decided to keep right on expanding . . . ," his voice trails off. "They have said they won't. But you'll never know until 1990."—**Jane Carmichael**

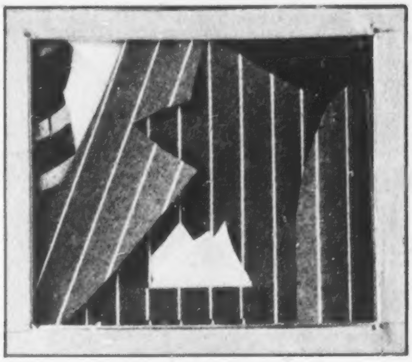
Chemicals

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Diversified												
Diamond Shamrock	22.4%	**1**	21.7%	0.7	12.3%	**2**	13.0%	7.2%	20.2%	**1**	15.5%	**2**
Dow Chemical	21.1	**2**	19.4	0.7	11.7	**2**	13.0	7.3	17.2	**3**	12.7	**5**
Stauffer Chemical	18.6	**3**	15.2	0.4	11.4	**1**	13.0	7.9	14.5	**5**	15.1	**3**
E I du Pont	16.0	**4**	13.8	0.2	10.9	**4**	12.2	5.4	12.9	**8**	11.1	**6**
Union Carbide	14.2	**5**	16.2	0.4	10.9	**6**	10.0	6.7	13.6	**6**	8.0	**8**
Pennwalt	13.9	**6**	12.0	0.5	8.5	**9**	9.8	3.8	12.1	**9**	14.5	**4**
W R Grace	13.6	**7**	17.5	0.5	12.2	**8**	9.9	4.8	10.2	**14**	7.0	**9**
Hercules	13.6	**7**	11.2	0.3	9.0	**5**	10.3	4.5	11.4	**11**	8.7	**7**
Monsanto	12.9	**9**	8.2	0.4	6.4	**10**	9.5	3.5	13.5	**7**	5.9	**10**
American Cyanamid	12.8	**10**	11.6	0.4	8.9	**7**	9.9	4.6	12.1	**9**	4.2	**12**
Celanese	12.1	**11**	11.2	0.4	7.5	**11**	7.9	3.4	10.8	**13**	16.0	**1**
Allied Chemical	10.9	**12**	19.1	0.6	11.5	**13**	7.3	5.1	15.4	**4**	4.9	**11**
Rohm & Haas	9.8	**13**	14.9	0.4	11.7	**12**	7.8	5.6	11.0	**12**	3.0	**13**
Reichhold Chemicals	7.4	**14**	5.3	0.4	4.8	**14**	6.5	1.3	18.7	**2**	–3.1	**14**
Medians	**13.6**		**14.4**	**0.4**	**10.9**		**9.9**	**5.0**	**13.2**		**8.4**	
Specialized												
Lubrizol	26.7%	**1**	30.3%	0.0	28.2%	**1**	24.9%	12.5%	16.2%	**5**	16.9%	**8**
Nalco Chemical	25.6	**2**	26.1	0.0	25.3	**2**	24.6	11.2	16.1	**7**	16.9	**7**
Sun Chemical	24.3	**3**	24.1	1.1	13.2	**4**	14.9	5.8	13.7	**13**	48.9	**1**
Cabot	21.0	**4**	39.6	0.6	23.7	**8**	13.8	10.9	20.9	**2**	36.0	**2**
Intl Minerals & Chem	20.6	**5**	18.8	0.5	12.4	**10**	13.5	8.4	14.3	**12**	16.0	**9**
Dexter	19.7	**6**	18.8	0.3	13.1	**5**	14.9	4.9	29.1	**1**	22.8	**3**
Freeport Minerals	19.7	**7**	35.5	0.3	24.4	**3**	15.4	21.9	15.2	**9**	15.1	**10**
Air Prods & Chems	19.6	**8**	20.3	0.4	11.4	**12**	11.6	8.1	18.7	**3**	22.1	**4**
Mallinckrodt	19.4	**9**	16.4	0.2	13.0	**6**	14.2	8.2	16.7	**4**	18.7	**5**
Thiokol	18.5	**10**	18.2	0.1	12.9	**9**	13.8	5.6	12.6	**15**	16.0	**6**
Witco Chemical	18.[illegible]	**11**	17.0	0.5	11.0	**11**	12.0	3.6	15.0	**10**	14.9	**11**
Ethyl	17.7	**12**	14.2	0.3	10.1	**14**	11.0	5.0	12.8	**14**	10.8	**13**
Ferro	15.8	**13**	14.5	0.2	12.2	**7**	13.8	4.4	14.9	**11**	9.6	**14**
Liquid Air of No Amer	15.3	**14**	13.8	0.4	10.0	**13**	11.5	7.2	15.4	**8**	11.7	**12**
Williams Companies	9.9	**15**	18.7	0.7	10.3	**15**	6.4	6.8	16.1	**6**	–2.8	**15**
Akzona	4.5	**16**	3.0	0.6	3.1	**16**	3.8	0.9	6.8	**16**	–11.1	**16**
Medians	**19.5**		**18.8**	**0.4**	**12.7**		**13.8**	**7.0**	**15.3**		**16.5**	
Industry medians	**16.9**		**16.7**	**0.4**	**11.5**		**11.8**	**5.6**	**14.7**		**13.6**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Manhattan's Seventh Avenue isn't what it used to be. The garment industry is less of an adventure and more of a business.



Apparel

LIKE SOME OF THE FABRICS IT USES, the apparel industry is shrinking its way to strength. Although the number of public companies in the industry has dropped dramatically in the last decade, the remaining firms are in better financial shape and their stability is giving a new buoyancy to industry forecasts. "There has been a tremendous consolidation," says Joseph Scheines, a spokesman for New York-based Kurt Salmon Associates, the largest apparel consulting firm. "But there are better players in the game, and it is beginning to make a difference."

In 1970 there were an estimated 150 public companies making apparel in the U.S. Last year there were just 82. Out of an estimated $43 billion industry, the 20 largest public companies now do $11 billion in annual business, about 25% of all industry revenues.

The industry's problems have been mostly due to the "four Is"—imports, inventories, inflation and interest rates. They have made it impossible for many companies to compete.

The most vexing area by far has been competition from imports. Over 20% of all apparel sold in the U.S. is now imported, up from around 5% in the mid-1960s. Because many garments do not lend themselves to automation, less competitive firms have been undersold out of business by imports. The problem has eased somewhat recently, though, as importers' costs have risen.

Unlike the import threat, the inventory dilemma is unique to apparel. The variety of fabrics, sizes and colors a manufacturer must carry means that as many as 100 stockkeeping units are needed for each style kept in stock. The inability to manage inventories effectively—the number one problem at many companies—leads to heavy markdowns, low profits and, ultimately, marginal businesses. Kurt Salmon's Scheines estimates that a minority of apparel manufacturers give inventory management the attention it deserves.

Inflation and interest rates have dogged apparel just as they have other businesses. But the apparel business had been caught in a double squeeze. As consumers' discretionary income has fallen, the proportion of each dollar spent on clothing has been going down, too. In 1960, 6.8 cents of each disposable dollar went into apparel. In 1979 it was 5.5 cents. "If the trend continues, it's all over," jokes Jay Meltzer, who follows apparel at Goldman, Sachs. "There'll be nothing spent for apparel." It's not quite as bad as all that. For, in absolute terms, the total retail amount spent on apparel and footwear is still increasing. In 1980 it was about $107 billion, up from $99 billion in 1979.

But those are inflated dollars and so the fight for unit volume is getting rougher and only the strong can survive in the long run. At the top of the list are Levi Strauss & Co. and Blue Bell, whose combined annual revenues of $4.1 billion are about 10% of the industry's total. Levi Strauss is already active in women's and children's wear, and recently broadened its reach through its purchase of Koracorp, the maker of Koret of California sportswear, Resisthol Hats and Oxxord Clothes. Blue Bell, which makes Wrangler jeans, last year bought Jantzen sportswear. The two companies have employed the most effective hedge against being squeezed by imports: known and respected brand names. In women's clothes as in jeans, stores must stock brands like Jantzen and Wrangler because customers ask for them.

But brand-name identification is not the only reason these companies are successful. They are fighting the import phenomenon by joining it. Increasingly, they are selling merchan-

Something happened

Wool looks like a product whose time has come again. Wool outfits, from preppie kilts to proper business suits, grace the windows of department stores more than at any time in years. Retail sales of wool garments probably topped $10 billion in 1980, $4 billion more in constant dollars than 1974's record low. Wool and chiefly wool fabric production soared 12% in the first six months of 1980, an indication the trend will continue.

Why the new popularity of a fabric that went out with the introduction of man-made fibers like polyester? The Wool Bureau, the U.S. arm of the International Wool Secretariat, has been pushing wool here since 1949. To promote the virtues of wool in thousands of ads, it uses the Woolmark and slogans like "Wool. It's worth more. Naturally."

But the Wool Bureau couldn't stop the slump in demand that bottomed out in 1974, and it probably can't claim its ad campaign—reaching 34 million households—brought wool back. Something *did* happen, however.

The I.W.S. Woolmark

"Wool is warm, it breathes, resists stains, resists fire and keeps its shape and color," says Thomas Haas, a vice president at the Wool Bureau, groping for some explanation.

Because of inflation, people are also looking at apparel more as an investment. On this score, wool comes out tops. Says Haas, "Today, people are buying garments as they would buy a car. The days of the fad garment are gone." In short, wool lasts.

True, wool accounts for only 2% of all fibers consumed in the U.S., but woolens and wool blends now take a 13% share of the adult tailored-apparel market. In coats they take a hefty 35%. That's bad news because only half of the wool used in U.S.-made apparel is produced here. But it's good news for U.S. manufacturers. Fully 82% of wool and wool-blend menswear and 87% of all wool and wool-blend womenswear consumed in the U.S. are also produced here. So, for wool at least, consumed in the U.S.A. probably means made in the U.S.A., too.—Alyssa A. Lappen dise outside the U.S., or using foreign facilities to manufacture their product. Last year Levi Strauss sold $649 million in apparel in foreign markets in the first nine months—32% of total revenues—and manufactured 33% of its volume overseas. Some 36% of all Blue Bell sales are now outside the U.S.

Smaller, well-run companies are also joining the import parade. A prime example is Kennington, a $95 million (sales) menswear company with a 34.3% return on equity. Kennington imports virtually all the apparel it sells.

As they grow more international, the big companies—and successful small ones—are also diversifying, in part to hedge against fashion change. In addition to Levi Strauss and Blue Bell, others expanding their product lines include Palm Beach, Phillips-Van Heusen, Warnaco and Interco.

"This used to be an up-and-down business, tied almost exclusively to fashion," says Robert Nahas of Kurt Salmon. Now, he says, partly because of such diversification, "The base is broader." This trend toward stability has been given a nudge by a social phenomenon: more flexibility in women's fashion. Says Nahas, "There's less of a sheep mentality out there. The industry has stopped trying to foist a single look on the consumer."

The upshot is that the outlook for 1981 is the best in years. A Kurt Salmon survey of 87 companies shows they believe consumers will spend 9% more on apparel and footwear in 1981 than they did in 1980. With prices expected to rise by about 7%, that allows for 2% real growth in the industry. That's not what you would call heady growth, but it's enough, with the number of firms shrinking and diversification offsetting fashion changes, to assure a good year for the apparel industry—barring, of course, a recession that turns into a depression.—**Carol E. Curtis**

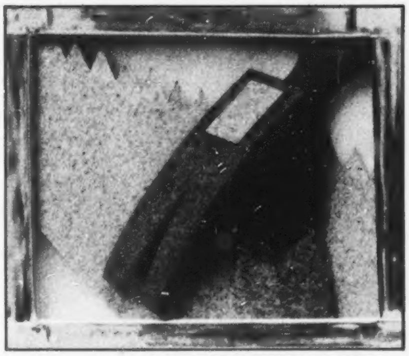
Apparel

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Clothing												
Levi Strauss	34.3%	1	31.4%	0.2	27.7%	1	29.3%	8.2%	21.6%	1	38.5%	1
Blue Bell	25.5	2	19.0	0.1	17.2	2	21.5	4.9	18.1	2	27.6	2
VF	16.7	3	19.3	0.1	16.5	3	14.3	7.0	8.4	4	9.2	5
Interco	14.8	4	14.5	0.2	12.0	4	13.3	5.3	10.7	3	9.3	4
Rapid-American	12.9	5	7.8	2.7	6.5	8	6.4	1.0	0.1	12	D–P	
Kellwood	12.1	6	6.6	0.9	5.5	5	8.8	0.9	8.3	5	6.8	7
Cluett, Peabody	10.3	7	9.0	0.4	7.2	6	8.7	2.5	3.7	10	23.2	3
Hart Schaffner & Marx	9.4	8	10.4	0.3	9.2	7	8.2	3.4	6.0	8	8.7	6
Phillips-Van Heusen	5.6	9	6.1	0.7	5.3	10	4.7	1.4	3.5	11	5.4	8
Warnaco	5.2	10	16.9	0.5	11.9	9	5.0	3.3	6.9	7	–11.4	9
Manhattan Industries	def	11	def	1.1	def	11	3.1	def	8.3	6	P–D	10
Jonathan Logan	def	12	def	0.3	def	13	def	def	4.7	9	P–D	10
Genesco	def	13	2.0	1.4	4.2	12	def	0.6	–4.9	13	D–D	12
Medians	**10.3**		**9.0**	**0.4**	**7.2**		**8.2**	**2.5**	**6.9**		**7.8**	
Textiles												
Cone Mills	18.1%	1	18.3%	0.1	16.8%	1	15.9%	7.2%	11.2%	2	27.1%	2
Fieldcrest Mills	15.8	2	11.9	0.5	8.9	3	11.2	3.4	10.6	3	20.3	3
Riegel Textile	14.9	3	15.2	0.3	11.0	4	10.8	4.2	9.8	6	18.0	4
Reeves Brothers	14.5	4	13.8	0.2	11.7	2	12.1	5.0	9.3	9	16.7	5
Collins & Aikman	11.8	5	7.3	0.3	5.6	5	9.8	2.3	10.4	4	5.2	11
West Point-Pepperell	11.7	6	14.6	0.4	11.1	6	9.6	3.4	14.7	1	14.7	7
Dan River	9.7	7	11.7	0.4	8.4	10	7.0	3.5	6.8	12	39.4	1
Graniteville	9.3	8	11.7	0.3	9.2	8	7.9	3.6	10.2	5	1.4	12
Cannon Mills	8.9	9	9.2	0.0	9.1	7	8.8	4.6	8.5	11	11.7	9
JP Stevens	8.8	10	8.3	0.6	6.7	9	7.0	2.3	9.4	7	16.4	6
Burlington Inds	8.6	11	7.7	0.4	6.4	10	7.0	2.8	5.0	13	5.5	10
Springs Mills	7.7	12	9.3	0.2	7.6	12	6.6	3.5	9.3	8	13.9	8
Avondale Mills	6.5	13	8.1	0.0	7.8	13	6.3	2.3	9.1	10	–1.9	13
M Lowenstein	1.6	14	0.5	0.6	2.5	14	2.8	0.1	3.5	14	–9.4	14
United Merch & Mfrs	def	15	def	4.0	def	15	def	def	–3.7	15	P–D	15
Medians	**9.3**		**9.3**	**0.3**	**8.4**		**7.9**	**3.4**	**9.3**		**13.9**	
Shoes												
SCOA Industries	29.4%	1	28.6%	1.0	16.5%	2	17.3%	3.3%	15.1%	2	64.3%	1
Melville	28.7	2	25.0	0.2	23.7	1	26.9	4.8	19.8	1	22.2	2
United States Shoe	17.6	3	18.3	0.3	14.5	4	13.5	4.0	12.5	3	16.6	3
McDonough	16.4	4	11.4	0.1	10.5	3	14.1	3.7	9.4	5	13.0	4
Brown Group	14.4	5	16.0	0.4	12.7	5	11.5	3.6	9.7	4	11.6	5
Medians	**17.6**		**18.3**	**0.3**	**14.5**		**14.1**	**3.7**	**12.5**		**16.6**	
Industry medians	**11.7**		**11.4**	**0.3**	**9.1**		**8.8**	**3.4**	**9.3**		**11.7**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. D-D: deficit to deficit. D-P: deficit to profit; not ranked. def: deficit.

After a decade in the doldrums, domestic construction is beginning to boom again.



Construction contractors

DURING MUCH OF THE 1970s, the construction industry earned its bread and butter overseas. Money pouring into the oil-soaked Middle East was quickly converted into billion-dollar refineries, petrochemical complexes and even whole cities. But now at a time when U.S. engineering and construction giants like Fluor, Parsons and Bechtel are being hard-pressed by European and Asian competition abroad, the industry is on the verge of what could turn into a Middle East-like explosion in work right here at home.

The pickup in domestic refining activity already under way and the dawning of a synthetic fuel industry *(see box)* should keep companies plenty busy. Any concerted push to develop this country's conventional energy resources will bring with it multimillion-dollar jobs for gas processing plants, pipelines and related facilities that have contractors drooling.

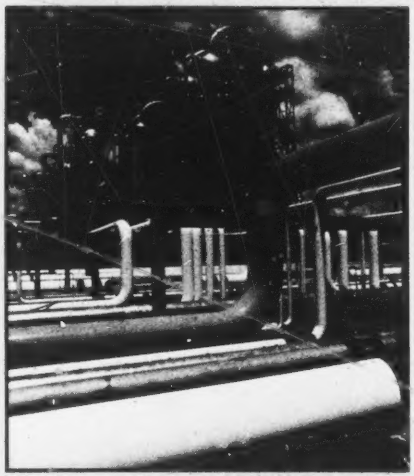
After five years of little activity, almost every big U.S. oil company has begun a major project to modernize and expand its existing refineries. Fluor Corp. estimates that last year oil companies launched $20 billion worth of refinery work to be completed by 1985. That's a quantum leap from the $2 billion a year oil companies spent on refineries in the late 1970s.

Little new refining capacity will be built in the 1980s, unless it is to refine synthetic fuels, but worldwide shortages of light, low-sulfur crude oil and the government's 1979 decision to reclassify heavy oil and stronger refiner profits that resulted when price ceilings were lifted for gasoline have unleashed a flood of contracts for refinery modernization. The shift to heavy crudes (like produced in California) and so-called "sour" crudes (with high sulfur content) means refineries have to modify existing processes to turn these less desirable oils into products. In addition, the shift to unleaded gasoline and the need to upgrade the energy efficiency of old industrial plants (to avoid heavy energy costs) have also caused a massive remodeling effort.

Brown & Root, a subsidiary of Halliburton, recently completed work on a more than $600 million major expansion for Phillips Petroleum in Sweeny, Tex. CF Braun, a subsidiary of Santa Fe International, is working with Shell on one of the

The biggest "if" in the business

If the stated goals of the Synthetic Fuels Corp. were met, 500,000 barrels a day of oil squeezed from shale rock, coal and tar sands would be flowing by 1987 and production would reach two million barrels by 1992. That's *if* Reagan doesn't dismantle Carter's infant synthetic fuels operation. For the half dozen or so U.S. construction and engineering firms with the financial clout and expertise to handle such projects, there's a great deal at stake: $63 billion in capital investment just to meet those initial goals.



Fluor's South African synfuel plant
For the U.S., a model for the future.

"No one can say, 'I'm Mr. Big' in this or that because no one has built a synthetic fuel plant in the U.S.," says William Leonhard, chairman and chief executive of Parsons Corp., one of the companies jockeying for position. Parsons Corp. was recently picked to do design and engineering work for the $1.5 billion SRC I project, which would liquefy coal under the sponsorship of the Department of Energy and several private companies, including Wheelabrator-Frye.

But probably Fluor Corp. holds a slight edge. Fluor is the only construction outfit with experience in building a commercial-scale synfuel plant. Ever since 1975 it's been working with South Africa's SASOL Corp., expanding that country's 25-year-old coal-to-"oil" operation. Last year Fluor signed a knowhow and marketing agreement with Sasol to peddle the technology to U.S. customers. It has already signed up Texas Eastern's synfuels division for a feasibility study on a Sasol-type plant. Having established a solid fuels division in 1970 to keep up with advances in shale, tar sands and coal technologies, Fluor feels it can work across the board.

CF Braun has a good position in shale, having worked with Tosco on its Colony project in the early 1970s. Now Braun will have a big part of the 45,000-barrel-a-day operation that Tosco and its new partner, Exxon, plan to build.

Companies that have not yet positioned themselves in synthetic fuels are buying their way in. McDermott, having lost out on Pullman to Wheelabrator-Frye, recently agreed to get together with Koppers Corp. in a joint venture to build and market coal gasification plants worldwide.

Competitors will probably find themselves working together, however. These multibillion-dollar synthetic fuels projects are so large that the tendency is to hire not one but a handful of companies to set up and run the operations. If and when synthetic fuel takes off, there will clearly be business for everyone.—K.K.W.

Construction contractors

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Heavy construction												
Parsons	30.9%	1	24.6%	0.2	21.4%	1	23.5%	3.8%	11.5%	13	31.2%	1
Parker Drilling	25.3	2	21.8	0.7	13.8	5	14.3	10.4	32.5	3	29.8	3
Fluor	24.8	3	27.5	0.1	18.5	2	20.9	2.8	32.6	2	31.1	2
Halliburton	23.4	4	20.4	0.1	17.5	3	18.7	5.6	22.0	7	25.4	4
Blount	22.1	5	21.3	1.1	9.8	7	13.0	2.1	9.1	15	18.8	10
Santa Fe Intl	18.7	6	16.6	0.7	9.8	11	10.7	6.6	22.5	5	24.0	6
Raymond Intl	18.0	7	4.3	0.5	4.2	6	13.7	0.7	22.1	6	25.3	5
Turner Construction	17.3	8	22.6	0.0	22.3	4	17.2	0.4	10.8	14	7.0	14
McDermott	16.0	9	6.9	0.3	5.2	8	12.6	2.8	33.2	1	11.9	12
Morrison-Knudsen	15.9	10	17.9	0.4	13.1	9	11.8	1.7	14.3	11	20.7	8
SEDCO	14.5	11	12.9	0.6	8.5	13	9.1	11.1	19.4	9	12.2	11
Fischbach	13.6	12	12.3	0.3	10.0	12	10.5	1.6	8.4	16	4.8	15
Dravo	13.3	13	10.5	0.4	8.5	10	10.8	2.3	12.3	12	11.4	13
United States Filter	10.4	14	12.5	0.7	7.3	14	8.8	3.3	27.0	4	23.2	7
Perini	8.1	15	8.1	0.1	6.2	16	6.4	0.9	16.0	10	18.8	9
Dynalectron	8.0	16	13.4	0.5	10.7	15	6.8	1.2	20.3	8	3.7	16
Medians	**16.7**		**15.0**	**0.4**	**9.9**		**12.2**	**2.6**	**19.9**		**19.8**	
Home building												
Centex	24.4%	1	34.0%	1.5	10.3%	4	10.5%	5.6%	21.8%	1	27.9%	2
U S Home	20.9	2	25.3	1.0	12.9	2	10.9	4.2	19.0	2	25.8	3
Ryan Homes	19.5	3	15.9	0.2	13.9	1	17.4	4.0	17.0	3	12.5	5
Kaufman & Broad	11.7	4	16.2	0.4	10.6	5	8.8	5.1	8.8	4	32.1	1
Del E Webb	11.1	5	8.5	1.3	7.1	3	10.5	2.0	8.1	5	13.2	4
Medians	**19.5**		**16.2**	**1.0**	**10.6**		**10.5**	**4.2**	**17.0**		**25.8**	
Industry medians	**17.3**		**16.2**	**0.4**	**10.3**		**10.9**	**2.8**	**19.0**		**20.7**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

three West Coast refineries Shell will be modifying to handle the heavy California crude and high-sulfur crudes coming from Alaska—at a cost of $600 million. Parsons is handling part of Standard Oil of California's $1 billion revamp of its Pascagoula, Miss. refinery. Champlin Petroleum Co. (a subsidiary of Union Pacific) has a $100 million expansion and modernization planned for its Los Angeles refinery, and Phillips has another $300 million effort under way in Borger, Tex. "Lots of oil has been neglected because it's too expensive to refine," says William McKay, president of Fluor Constructors International. "But now with higher prices for crude oil it makes economic sense to refine it, and refineries are gearing up to handle it."

Down the road, an estimated $5 billion could be spent annually by 1985 for plants to process natural gas, particularly from the oil- and gas-rich Overthrust Belt in the Rocky Mountains. Parsons has been selected to design and build a $3 billion gas-processing unit for Sohio on Alaska's North Slope. Waiting in the wings for all the big contractors is the $25 billion Alaskan gas pipeline. Converting oil to coal for electrical power generation will bring the utilities knocking at contractors' doors. And any big boom in coal use, whether in boilers or as the feedstock for synthetic fuels, will mean a revitalization of rail transit as well as facilities to wash, crush and handle coal.

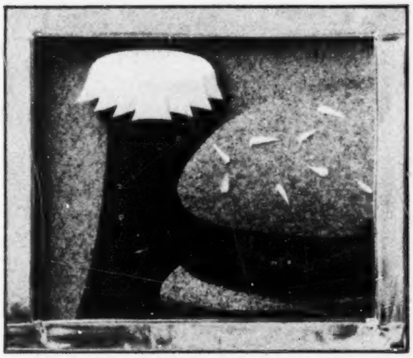
The MX missile program is uncertain under Reagan, but if it goes forward along lines outlined during the Carter Administration, it would mean major work for the construction industry. In Carter's plan, each missile in place would require 20 shelters, all but one of them empty to confuse the enemy. "For 200 missiles that's 4,000 heavy-duty placements," says William Leonhard, chairman, president and CEO of Parsons Corp. "And there would be a special road network connecting the shelters in a given area."

Construction outfits without any strong capabilities in so-called process engineering and design work have been acquiring companies that do. So anxious was Santa Fe International to get in on the boom in process plants like refineries, chemical plants and synthetic fuels that it went out last year and plunked down $296 million for CF Braun to speed up its entry into the field. "We could see Parsons and Fluor doing very well, so we wanted to develop that competitive ability," says Edfred Shannon, chairman and CEO of Santa Fe International. The battle between Wheelabrator-Frye and McDermott for Pullman had at its heart Pullman's Kellogg division, which is a leader in process plant construction as well as synthetic fuel technologies. Wheelabrator eventually paid about $600 million for Pullman.

All this potential domestic growth has not gone unnoticed overseas. "There's a distinct shift in this business," says Hugh Baird, president of CF Braun. "Foreign companies are beginning to buy U.S. engineering and construction companies." The U.K.'s Davy Corp. already owns Cleveland-based McKee Corp. West Germany's Lurgi, the engineering company owned by Metallgesellschaft, was reportedly shopping for a U.S. company last year before deciding to establish its own engineering operation here. J.A. Jones and Ford, Bacon & Davis have already been bought by the West Germans.

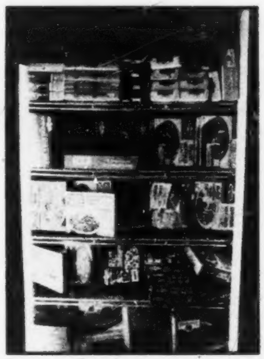
"I'm not in the forefront of those saying everything's great," says Parson's Leonhard cautiously, thinking of governmental and environmental hurdles ahead. "There's a lot of work, but it's not going to come down like an avalanche." But the business is still coming down, and given the failing competitiveness of U.S. companies abroad, that was something nobody else had predicted as recently as two years ago.—**Kathleen K. Wiegner**

Question: How do you build a new growth business? Answer: Get mother out of the kitchen and put her to work somewhere else.



Branded foods

THE BIG OPPORTUNITY FOR THE EIGHTIES," says an account supervisor at one of General Foods' advertising agencies, "is the massive growth in the number of two-income families and the enormous potential that growth holds for frozen foods." Last year, the frozen foods market approached $12 billion out of a total groceries market of over $225 billion. By 1985 the branded foods market will have shown modest growth; one manufacturer says the frozen foods segment is expected to double.



Frozen foods
Cool and profitable.

In single-income families, women have the time to cook from scratch and the need to pinch pennies by using lower-priced canned goods. But working wives haven't the time to cook, and they've got the money to pay a bit more for frozen foods. "The prime users of frozen foods are women between 18 and 49," says Neil Wilson, general manager of Stokely-Van Camp's frozen foods division. "Right now, over half of working women use them regularly. By 1990 we expect that figure to be up to 70%." The total number of working women, meanwhile, is expected to reach 54 million—up 35% from 1977's 40 million.

It's not simply the processors like Stokely-Van Camp, Pillsbury and General Foods that will benefit from the expansion of the frozen foods market. So will the retailer. Most grocery products produce gross margins of 18% to 20%, but frozen foods—energy costs notwithstanding—kick 28% to 30% into the pot.

Exploiting the market for those fast-moving products is a knotty problem for a lot of manufacturers. It's not just that frozen foods consumers are as fickle as any other food buyers. The margins vary widely from one frozen foods product to another, depending upon what kind of price they can command from the consumer. "If a frozen vegetable is not a specialty item," notes William Maguire, food industry analyst at Merrill Lynch, "then it has to be treated as a commodity, one that competes with canned or fresh vegetables that have price advantage." Thus, the biggest growth and profit potential lies in prepared foods—frozen entrees, vegetables in special sauces and "ethnic" combinations—products that command higher margins for producers. According to John Stafford, executive vice president in charge of consumer foods at Pillsbury, whose Green Giant combinations are head-to-head against General Foods' Birds Eye Inter-

Jell-O again

Back in the days before frozen pies and cakes and ice cream novelties, Jell-O brand gelatin reigned as the ultimate convenient dessert. Boil water, add powder, stir, chill and voilà! A light, tasty dessert. It provided General Foods with steadily increasing volume since it acquired Jell-O in 1897, eventually gobbling up 70% of the gelatin dessert market. By 1968, the peak year, the average American household consumed 16 boxes per year.

But even the most successful food products have a way of growing old, and after 1968 Jell-O's prospects became as jittery as, well, a bowl of Jell-O. Working women no longer had the time to prepare it, but they had money to buy quicker, if more expensive, desserts that began to eat into the $100 million gelatin market. Sharper competition from Standard Brands' Royal gelatin and private labels knocked down Jell-O's market share, and per-family consumption slipped to 11.4 boxes.

This spurred some hard thinking at General Foods. Peter Rosow, general manager of GF's dessert division, won't talk numbers, but Jell-O is a big part of the desserts division. Even Rosow had to concede the expensive alternatives were sexier than plain Jell-O. So in early 1979, the trademark's advertising agency, Young & Rubicam, began to interview consumers and bone up on reams of old studies. Its conclusion: Jell-O's appeal lay in it's emotional connotations rather than its cost or versatility. Noted Alexander Kroll, president of Young & Rubicam U.S.A., "There's a lot of affection for Jell-O. It's the name. It's Jack Benny [a longtime Jell-O promoter]. It's your mother serving it."

So in October 1979, General Foods rolled out its "fun" campaign—the first major push for Jell-O since 1972, when a recipe campaign failed to stop the slide. The media budget jumped from about $9 million to about $14 million, and General Foods bought heavily into prime-time television. The ads show large, middle-class families gathered together, for either a reunion or an anniversary. To the beat of spunky background music, the whole clan—from toddlers to grandparents—downs endless, multihued mounds of Jell-O. "We're not going to have dessert," exclaims one jovial character. "We're going to have fun!"

Such are the mysteries of media that the approach appeared to pay off. "With most packaged goods," Kroll says softly, "you can isolate an attribute—lightness, fastness. When you get a brand like Jell-O you find it is more universal. It has a totality of attributes that in some ways makes it harder to market. It requires a different frame of mind."

Jell-O's long-term decline was "stopped dead in its tracks." Since late 1979, in fact, per-family consumption is up one percentage point. GF's expanded advertising program helps expand the whole $200 million gelatin dessert market, overall gelatin consumption has risen and Jell-O's market share has nosed up from 70% to 71.4%.—Van Wallach national Vegetables, the tonnage in specialty frozen vegetables is likely to grow 3% to 5% a year in the long term. "That's about 3 times higher than the food industry overall," he adds. Given the high prices of specialty frozen foods, the impact of such growth on producer sales and profits should be significantly greater.

The other big growth area is frozen pizza—and manufacturers are falling all over themselves to get a piece of that $650 million pie. Pillsbury's Totino's brand has soared to a dominant position a bare two years after its crisp-crust technology was introduced. But it's only first among many. Frozen pizza is a fragmented business, attracting not only big national companies but scores of local producers as well. "It's almost a recession-proof product," says Pillsbury's Stafford. Why? Pizza, at less than $3, is an affordable substitute for steak.

A lot of frozen products are not immune to recession, however, nor to consumer whims—bakery and fish products, for example, and frozen entrees: "Entrees are hurting," says Craig Carver, an analyst at the Minneapolis brokerage firm of Piper, Jaffray & Hopwood, "largely because they're on the upper end of the price scale, which is where consumers are cutting back. Pillsbury has the added problem of being caught somewhere

Branded foods

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Diversified												
Dean Foods	21.5%	1	21.2%	0.4	15.6%	1	15.6%	2.0%	13.6%	8	29.6%	1
CPC International	19.0	2	19.1	0.2	15.6	2	15.4	4.7	10.0	17	14.2	9
General Mills	18.3	3	17.9	0.4	13.6	8	13.7	4.0	15.1	6	15.3	5
Curtice-Burns	18.3	4	14.4	2.6	7.1	13	11.1	1.2	27.4	1	13.7	10
Universal Foods	17.8	5	12.7	0.4	10.5	5	14.1	2.8	19.8	2	15.1	6
General Foods	17.7	6	15.9	0.2	13.2	4	14.2	3.7	12.4	10	14.4	7
Beatrice Foods	16.9	7	15.2	0.3	11.8	7	13.9	3.5	15.3	5	10.7	15
Ralston Purina	16.8	8	15.7	0.4	11.6	11	11.9	3.3	11.1	13	12.9	11
Pillsbury	16.6	9	17.1	0.8	10.5	12	11.6	3.5	17.3	3	15.7	4
Federal Co	16.5	10	7.6	0.1	7.1	3	14.6	1.3	15.9	4	18.6	2
Standard Brands	15.9	11	16.8	0.4	11.2	14	10.9	3.4	11.0	14	8.6	19
Consolidated Foods	15.6	12	16.7	0.4	11.8	9	12.4	2.4	13.6	9	11.5	13
H J Heinz	15.6	13	17.1	0.3	13.1	10	12.0	4.4	12.2	11	17.1	3
Campbell Soup	15.3	14	14.9	0.1	12.8	6	13.9	5.2	10.1	16	9.9	16
Norton Simon	14.3	15	12.7	0.6	8.4	17	9.7	3.9	10.8	15	8.8	18
Intl Multifoods	13.0	16	9.6	0.4	7.5	15	9.8	1.7	6.6	22	9.0	17
Borden	12.8	17	12.1	0.4	8.8	16	9.7	3.1	7.8	20	11.3	14
Castle & Cooke	10.8	18	4.6	0.7	4.7	18	7.8	1.3	14.1	7	5.6	20
Di Giorgio	9.3	19	8.1	0.9	5.8	19	6.8	1.0	11.4	12	14.3	8
Kane-Miller	4.4	20	5.1	0.8	5.4	20	4.8	0.7	7.2	21	–10.3	21
United Brands	3.6	21	6.9	0.5	5.6	21	3.7	0.9	9.7	18	D–P	
Ward Foods	def	22	def	3.4	def	22	def	def	–5.5	23	D–D	22
Dart & Kraft	**		**	**	**		**	3.8	9.6‡‡	19	12.2‡‡	12
Medians	**15.8**		**14.7**	**0.4**	**10.5**		**11.8**	**3.1**	**11.4**		**12.6**	
Specialized												
Kellogg	28.2%	1	27.2%	0.1	22.7%	1	23.4%	8.6%	14.0%	4	15.3%	2
Flowers Industries	19.8	2	15.9	0.5	10.8	8	12.4	3.2	20.9	1	16.4	1
Nabisco	19.1	3	20.3	0.4	14.1	7	13.0	4.9	8.3	12	12.8	8
DPF	18.4††	4	9.2	2.8	6.1	12	7.9††	1.0	**		**	
Hershey Foods	18.2	5	17.5	0.4	12.2	3	15.3	4.4	13.9	5	15.1	4
Campbell Taggart	18.1	6	17.8	0.3	13.2	6	13.6	3.3	12.9	6	14.3	5
Carnation	17.6	7	17.6	0.2	14.4	4	14.2	4.9	10.7	11	13.2	7
Wm Wrigley Jr	17.1	8	12.7	0.0	12.2	2	16.4	5.1	12.8	7	9.1	10
Quaker Oats	16.4	9	16.4	0.2	12.3	10	11.6	3.8	12.6	8	15.3	3
McCormick	15.7	10	15.1	0.4	11.6	9	12.1	3.9	16.4	2	13.7	6
Gerber Products	15.4	11	14.9	0.2	12.8	5	13.8	5.2	10.8	10	9.3	9
Amstar	12.4	12	15.7	0.2	11.5	11	8.9	2.9	3.3	15	2.8	13
Knudsen	11.7	13	17.0	1.1	10.1	14	7.5	1.7	15.8	3	6.7	11
Amer Maize-Products	9.8	14	11.2	0.6	8.3	13	7.8	2.5	12.5	9	2.0	14
American Bakeries	9.2	15	3.3	0.8	4.2	15	7.0	0.4	6.5	14	D–P	
Stokely-Van Camp	7.6	16	6.1	0.4	5.3	16	6.1	1.6	7.4	13	3.1	12
Medians	**16.8**		**15.8**	**0.4**	**11.9**		**12.3**	**3.6**	**12.6**		**13.0**	
Industry medians	**16.2**		**15.2**	**0.4**	**11.4**		**12.0**	**3.3**	**12.3**		**12.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
††Three-year average. ‡‡Three-year growth. D-D: deficit to deficit. D-P: deficit to profit; not ranked. def: deficit.
**Not available; not ranked.

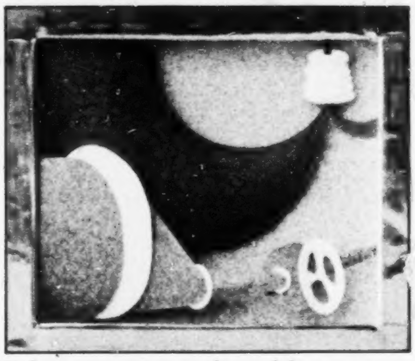
between premium-image Stouffer's [a unit of Nestlé], and ConAgra's Banquet brand, which has a hold on the low end."

Recession increases the problem, but it does not change the industry's basic economics. "The key to success in the frozen vegetable business," says the GF ad agency man, "is to be low-priced producer of something, so that you can afford slimmer margins on other lines. Green Giant has corn. Del Monte has green beans." Even before GF sold off its wholly owned processing plants a few years ago, it had no cost advantage.

Will GF succumb to the Jolly Green Giant? At the moment, Pillsbury's Green Giant claims 56% of the frozen prepared vegetable market, with 30% belonging to GF's Birds Eye, whose founder and namesake, Clarence Birdseye, pioneered the freezing process. "I don't think that GF wants to make a go of it long term with Birds Eye," says Merrill Lynch's Maguire. "It hasn't relied on the brand for more than a very small percentage of earnings, and has chosen not to expand by acquisition or further product development."

Pillsbury, with about 20% of its earnings already from frozen foods, sees enormous market opportunities opening up. "That Green Giant acquisition," says Maguire, "was the best thing they could have done to build and embellish the important Pillsbury image in the frozen and refrigerated areas of the supermarket."—**Stanley Ginsberg**

After two winters of shortages, the gas supply is good and growing. The head of the American Gas Association says he can prove it.

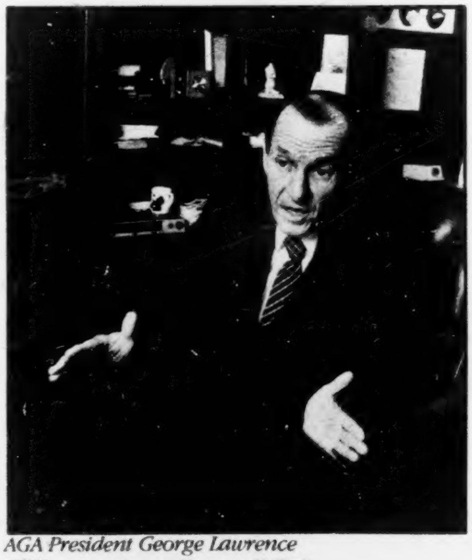


Natural gas

IN THE TWO YEARS SINCE CONGRESS passed the Natural Gas Policy Act the prospects of the natural gas business have altered dramatically. The NGPA came on the heels of the gas-short winters of 1976-77 and 1977-78 when many industries were forced to shut down in order to keep homeowners warm. It did away with the two-tier price structure between interstate and intrastate gas and allowed natural gas prices to rise gradually until 1985, when price controls on new supplies would be completely lifted.

The act also mandated an incremental pricing policy that forced big industrial users, but not small commercial and residential users, to absorb the new escalating gas prices. These higher prices and uncertainty over how much gas would be available drove many industrial customers to alternative fuels. But now gas supplies are increasing so fast that the industry is trying to convince industrial users to switch back.

Is the sudden surplus of gas that's developed over the past year a temporary phenomenon—a bubble in the flow of supply—or does it suggest that U.S. industry can once again depend on gas for a major part of its future needs?



AGA President George Lawrence

Will gas get us off our oil fix?

FORBES put that question to George H. Lawrence, president of the 300-member American Gas Association, which consists of producers/pipeliners and distributors. Lawrence, 55, is an Oklahoman with engineering and law degrees who previously worked for Exxon and was the natural gas coordinator of the American Petroleum Institute.

Lawrence: The so-called gas bubble is primarily a result of NGPA's removing the interstate and intrastate barriers very quickly. You always had some excess producing capacity in certain intrastate markets like Texas, but the surplus never moved to fill the demand out of state because of the extremely low price dictated by regulation. Now it has.

The second factor is conservation. We've had 13% to 15% less usage on an adjusted-for-temperature basis in the residential and commercial markets. The third and equally important factor was the extreme gas shortage. That caused us to lose a huge share of the industrial market—about 33%, or 3.2 trillion cubic feet—to alternative fuels. We've only been able to recover a third of what we lost.

So it's really only a temporary improvement in U.S. supplies?

Not at all. We think the situation has turned around. Between 1983 and 1985 we see an improved supply capability really coming on stream—according to one AGA estimate, enough to replace about 2.3 million barrels a day of imported oil. Right now we could supply all the industrial customers we lost during the shortage. But that fact hasn't gotten through. There's still the perception of insecure supplies.

Even so, that perception is not limited to consumers. At least one gas company, Houston Natural Gas, has said it doesn't believe there will be enough gas available to make that the next big energy source. It's diversifying to cover itself. How much of a gamble is it that there will be enough gas at competitive prices to meet consumer needs?

I think it's a good gamble and one most of our member companies will be relying on. They're not going to diversify radically. I think there was an earlier tendency among doomsdayers to diversify because the future of gas looked bleak. Many companies are going into energy-related areas and particularly into exploration and production to enhance their own supply capabilities. For example, Tenneco and American Natural Resources, among others, have acquired coal reserves in anticipation of coal gasification projects.

So all the talk about how the current surplus won't last is really just talk.

Hell, there's no question about it. The supply situation is good and growing, and we can prove it. You've got all the ingredients of a permanent improvement. The industrial market is our biggest growth area. Right now we've got some real hamstrings, however.

Like what?

In theory, the incremental pricing provision of the NGPA says the price of gas will rise to the level of competing fuel oil. In practice, it's impossible to do that in 1,000 different U.S. markets. You could wind up with some arbitrary price level that puts the regional gas distributor in a position where he can be undercut by a local oil dealer. What you get is a specter of gas prices going to some new level in the near future, where they will be higher than fuel oil. As it is, the industrial user has no confidence in what the price of gas will be. He's reluctant to sign on or alienate fuel oil dealers who say, "If you switch to gas you'll be at the bottom of my list when you run out, and you've run out of gas before."

That's a pretty compelling argument. Besides that, you're shut out of utility and industrial heating markets by the 1978 Fuel Use Act.

That is a horror. The Act says that in a major fuel-burning installation—over 2.5 million cubic feet a day—you cannot use gas, period. It also says that all electric power plants have to be off gas by 1990. We're working to have several portions of the Act repealed. It was conceived at a time when there was this rather widespread perception that gas production was going to decline and that it was inevitable.

But we're still not finding enough reserves to replace the 20 trillion cubic feet of gas we use every year. Doesn't that mean if you keep on trying to expand your market you're running the risk of creating another shortage?

I don't think so. Sure, we're not finding as much gas as we take out of the ground and we haven't since 1967. But starting

Natural gas

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Producers and pipeliners												
So Natural Resources	18.4%	1	18.4%	0.6	11.7%	1	10.3%	7.4%	19.8%	4	13.7%	1
Panhandle Eastern	18.2	2	19.3	0.8	9.8	3	9.2	7.2	23.4	2	11.7	4
Transco Companies	17.6	3	20.6	1.4	7.8	7	7.1	4.6	19.7	5	12.0	2
Texas Eastern	17.5	4	21.0	0.6	10.7	6	8.9	5.2	21.6	3	11.8	3
Tenneco	17.1	5	18.8	0.7	10.6	2	9.7	5.4	17.7	7	9.0	6
Texas Gas Transmn	16.6	6	18.2	0.6	10.3	4	9.1	4.3	18.2	6	11.2	5
ENSERCH	16.0	7	21.5	0.8	11.5	5	9.0	5.3	33.5	1	7.0	7
El Paso	10.7	8	9.7	1.4	5.1	8	5.3	2.1	15.7	8	–4.6	8
Medians	**17.3**		**19.1**	**0.8**	**10.5**		**9.1**	**5.3**	**19.8**		**11.5**	
Pipeliners and distributors												
Pioneer	32.4%	1	37.3%	0.6	19.2%	2	15.9%	9.5%	28.4%	4	26.4%	3
Houston Natural Gas	27.1	2	27.1	0.4	16.0	3	15.2	8.3	31.2	3	27.5	2
United Energy Resources	26.8	3	29.2	0.3	19.2	1	17.8	3.7	32.4	2	40.0	1
Central Louisiana Engy	21.7	4	29.4	0.7	14.3	4	10.4	7.8	38.7	1	16.7	4
InterNorth	19.1	5	21.2	0.4	12.1	5	10.4	7.7	20.1	8	15.7	5
Ark Louisiana Gas	18.2	6	22.3	0.6	10.4	6	9.7	8.2	17.3	9	10.5	7
Northwest Energy	17.4	7	19.4	0.7	10.2	7	8.7	3.9	28.2	5	11.2	6
Peoples Energy	15.2	8	13.5	0.7	8.0	8	8.1	4.6	22.7	6	8.6	8
Amer Natl Resources	13.8	9	11.6	0.9	5.6	9	7.2	4.1	20.6	7	3.8	10
Columbia Gas System	12.8	10	13.8	0.8	7.5	10	6.9	4.5	17.2	10	5.1	9
Medians	**18.7**		**21.8**	**0.7**	**11.3**		**10.1**	**6.2**	**25.5**		**13.5**	
Distributors												
Entex	28.4%	1	18.7%	1.1	10.3%	1	13.9%	4.1%	36.7%	1	29.0%	1
Oklahoma Natural Gas	21.6	2	18.6	0.8	10.4	2	11.6	4.7	32.3	2	17.9	2
Southern Union	17.8	3	22.7	0.6	12.6	3	9.7	4.4	28.0	3	8.1	5
NICOR	15.7	4	15.9	0.5	8.5	5	8.3	5.8	21.2	5	8.4	4
Minnesota Gas	15.4	5	13.8	0.7	8.9	4	9.4	3.9	22.4	4	7.4	6
Consol Natural Gas	13.3	6	11.7	0.6	7.1	6	7.9	4.8	17.0	11	11.6	3
Brooklyn Union Gas	13.0	7	14.6	0.8	8.3	7	7.6	5.3	17.7	7	6.3	7
Laclede Gas	13.0	7	13.1	0.9	7.0	8	7.1	3.7	16.5	13	6.2	9
WICOR	12.1	9	9.1	0.8	**		**	2.8	17.1	8	5.7	11
Pacific Lighting	11.6	10	11.3	0.9	6.5	10	6.6	2.8	17.1	9	6.2	8
Atlanta Gas Light	11.5	11	10.8	0.7	6.1	12	6.2	2.2	17.0	10	5.9	10
Gas Service	10.8	12	8.0	0.9	5.4	11	6.3	1.7	16.4	14	3.4	14
National Fuel Gas	10.6	13	10.6	0.9	6.8	9	6.9	3.4	16.7	12	3.9	13
No Indiana Pub Svc	10.5	14	8.1	0.9	4.8	13	5.5	5.3	18.9	6	–2.4	15
Washington Gas Light	8.6	15	7.5	0.9	5.0	14	5.4	3.1	14.4	15	4.3	12
Medians	**13.0**		**11.7**	**0.8**	**7.1**		**7.4**	**3.9**	**17.1**		**6.2**	
Industry medians	**16.0**		**18.2**	**0.7**	**9.4**		**8.8**	**4.6**	**19.8**		**8.6**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
**Not available; not ranked.

in 1979 the picture began to change. Even though we're still taking the same amount out of the ground, the amount we added to our proven reserves was up 35%, to 14.3 trillion cubic feet, *vs.* 10.5 trillion in 1978. We began to find more gas. It's an indication of what's going to happen. Deregulation has meant an explosion of exploration and drilling in the U.S. We drilled 58,160 oil and gas wells in 1956, dropped as low as 27,250 in 1971 and last year drilled over 60,000—an alltime high.

Where are the new reserves coming from?

From all over. A 1977 AGA study showed part of our problem was that 90% of the drilling being done was in areas where 30% of the potential gas supplies were believed to exist. The price incentives weren't there to drill in high-cost zones. Until now most conventional gas production has been coming from Texas, Louisiana, Oklahoma and offshore. But as we begin to phase out controls, I think we'll be moving into the more gas-prone areas like the Overthrust Belt in the Rocky Mountains. The incentives are there now to do deep drilling below 15,000 feet. We think the Overthrust Belt discoveries made so far are truly dramatic even though they aren't yet reflected in reserve figures because they haven't been fully developed to confirm the reserves.

Could the Overthrust Belt make a really significant impact on the U.S.' 195 trillion cubic feet of proven reserves?

I've heard estimates up to 400 trillion cubic feet. That seems foolish. But the Colorado School of Mines says the Rockies have at least 100 trillion cubic feet over and above any proven reserves. I'd say that's conservative.

How do the election and the shifting political mood in Washington affect the outlook for gas legislation?

We might have eliminated both incremental pricing and the Fuel Use Act under Carter, but under Reagan the prospects look even better. On the other hand, we're very concerned about Reagan's proposed dismantling of government energy programs and how that might affect the development of synfuels—particularly coal gasification. I think our energy policy is moving in a sensible direction of greater domestic capability with less reliance on imported oil. Combine that with a Republican Senate and a more conservative House, and I think you have a more production-conscious body, not one that's going to be punitive to our industry.

There are indications that the Reagan Administration will push for deregulation before 1985. Would you support that?

I think deregulation before 1985 would be viewed on Capitol Hill as too traumatic. What would make sense would be to look at certain selected areas like the NGPA's deregulation of the extremely tight sands of the Appalachian Devonian shale area. Or you could deregulate offshore drilling in water over 500 feet deep. That could add up to more supply right away. Also, we've seen good examples of where deregulating drilling below 15,000 feet has been a good step. You could make the case for another drilling zone—say 12,000 feet instead of 15,000 feet—and deregulate that sooner.

Won't opposition to full deregulation grow more intense the longer you wait?

I think we'll be able to make the case that a restoration of controls wouldn't make sense. Remember, a lot of this exploratory drilling increase has taken place not just because prices are going up with the phaseout of controls. There's the growing prospect of full deregulation. That's the light at the end of the tunnel. I don't think you want to take that away.

With full deregulation, are gas prices likely to go so high that it might be cheaper to use oil?

The good news is that gas supplies are improving. The bad news is that the price is going up as it is for all forms of energy. Our projections are that between now and 1990, with inflation, the total increase in gas prices will be in the range of 13% to 14% a year. We say the real comparison ought to be with whatever is the logical energy alternative, and it looks like fuel-oil prices will be 60% higher than gas. Gas still looks to be the economically preferable choice, especially, in the case of fuel oil, if it gets us off imported oil.

In short, it shouldn't matter whether it's cheaper than oil or not. It's available and it's ours.—**Tedd A. Cohen**

What's a homeowner to do?

Converting to gas in Brooklyn, N.Y.
The line is going to get longer.

"With a wife and three young kids my budget really didn't allow for converting to gas heat," says one 36-year-old New Jerseyite who recently spent $1,750 to do so, "but I thought the answer was clear."

"Hell, no," says a 66-year-old retired Connecticut homeowner who heats his house with oil and is busily insulating his attic. "I'd rather freeze than spend that kind of money on a gamble."

To convert or not to convert, that is the burning question, especially in the Northeast, where oil supplies perhaps half of the home heating market, and especially since 40% of that oil is imported. But the choice isn't a simple one.

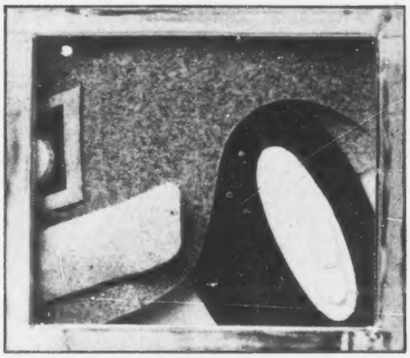
Since 1977 the price of home fuel oil has more than doubled, and nationally, on average, oil now costs about twice as much as natural gas. Although there was a severe gas shortage a couple of winters ago, it affected industrial not residential customers. Gas is now plentiful, and the gas industry, led by the American Gas Association, is waging a full-scale war for the market against fuel-oil dealers, led by the National Oil Jobbers Council. The battles so far have been won by the gas side. Over the past two years about 750,000 homeowners made the switch to gas, and the industry now holds 55% of that 79-million-home heating market, *vs.* 20% for the oil dealers. The gas supply is there and growing, says the AGA, and keeps us free from OPEC.

"Foul," cry the oil distributors. Although it may be cheaper to use gas now, they say, how long will its price advantage last? The incoming Reagan Administration says it will push for complete decontrol of gas prices before 1985, and if it happens, argue the jobbers, gas won't be significantly cheaper than oil. Also, gas prices are bound to rise as more expensive exploration in hard-to-reach drilling areas increases.

Listening to outside experts is just as confusing. The independent Consumer Energy Council of America says oil users would get more for their money by investing in better insulation rather than converting to gas. Although the CECA didn't endorse oil in favor of gas heat, the Environmental Protection Agency has supported conversion to gas, saying that high-efficiency gas burners are more economical. Now, oil marketers counter with data showing that oil burners on average are 16% more fuel efficient.

This much is clear: No matter what you use to heat your home, it won't be cheap. And whether gas has an edge or not, so long as the chances look good for a U.S.-based supply of gas, the line for gas conversion will get longer.—T.A.C.

For the truckers, the recession is the industry's number one problem. But deregulation promises to make some painful changes.



Truckers and shippers

LAST YEAR, over the bitter opposition of most of the operators, deregulation at last came to the trucking industry. During the days when Congress was considering its program, the American Trucking Association—representative of some 17,000 truckers and 51 state associations—painted some especially apocalyptic visions of what would transpire if deregulation should ever come about: rate wars on a cataclysmic scale, widespread bankruptcies, collapse in service, especially in some of the nation's remote areas. As the first year of deregulation got under way, the industry was headed for trouble. There were none of the booming upsurges in traffic and buoyant profits that greeted the airlines when they were deregulated. Instead, the truckers were faced with sagging traffic volumes, falling profits, and one of the worst recessions the trucking industry had experienced within memory. For an assessment of the trucking industry and its prospects, FORBES dropped in on Edward Kiley. Kiley is a major formulator of the ATA's deregulation strategy.

So what ever happened, FORBES asked, to all those price wars the ATA was predicting a while back? The carriers are free now to raise or lower their rates by 10% in a given year without having to get the Interstate Commerce Commission's okay.

Some carriers have already reduced their rates by 10% */see box/*. Others have held back because they don't see how they're going to make it with their rising costs. I'd watch to see how far this rate-cutting continues and whether these carriers can cut their rates with this recession-slowed traffic and still make profits. It costs a certain amount to move traffic, and no trucker can charge less than that and stay in business for long.

But the real problem so far hasn't been price wars but recession.

Well, I think in the future many carriers will probably suffer these competitive rate wars, the most vulnerable being the small irregular-route truck carriers without much financial backing. But for now the problem is still rising costs. Unless costs go down, and there is no indication of this, equipment is going up, labor is going up and the cost of fuel will continue to go up. So I think there will be a squeeze on profits. But as inflation settles down, profits might go back to normal.

Thanks to the recession and the present decline in truck traffic, the industry ought to be able to take a tougher stance with labor than it did last time, when it caved in with 12% annual pay gains.

Certainly if revenues and profits are down, it's going to be a different bargaining process than if they were up. If the carriers are being squeezed, they will bargain harder.

At the same time, isn't it true that deregulation ought to make the Teamsters somewhat less powerful than they used to be?

There may be more nonunion truckers under deregulation. Everyone has guessed that if there's easier entry into the market, there will be more applications from individuals who want to operate new truck lines, resulting in more new independent owner-operators. Independents have no reason to join a union. Thus, as more traffic goes to the independents, it will affect union membership.

The truckers will have a lot more flexibility in setting rates and competing for business than they used to, but you don't really think that is going to bring a lot of new traffic that will offset the impact of those lower rates on their profits?

The total volume of traffic is the result of the level of economic activity, not the level of rates. Unlike airlines, we can't get more customers by reducing fares.

Fighting for survival?

"New freedom? That's rubbish," snorts Arthur Imperatore, president of North Bergen, N.J.'s APA Transport Corp., about the deregulation that allows truckers to raise or lower their rates 10% without government monitoring. Slashing rates and shaving profit margins, he says, may be good for the customers in the short term but not for the carriers. Eventually the customers will be hurt too, because as carriers go under, the victims of price wars, there will be less competition and prices will rise again. Imperatore says the only reason his APA Transport took what he calls the "treacherous" step of reducing rates 10% on aggregate shipments in excess of 5,000 pounds was that competitors like Overnite Transport had done it already.

APA is a regional trucker serving 10,000 customers in New Jersey, New York, Pennsylvania, Rhode Island, Massachusetts, New Hampshire and Connecticut. In an industry where operating profit margins average 4%, APA did 21% on the $64 million in revenues in 1979. For the first nine months of last year, APA's revenues dropped to $57 million, and its margin narrowed to 17.5%.

Such a margin would look pretty good to Chrysler or U.S. Steel, but not to Arthur Imperatore. APA's rate cuts didn't help, but these affected only a small portion of its revenues. The recession was primarily responsible for APA's falling volume and profits. The labor costs are high—about 65 cents on every dollar—and fuel prices continue to climb. Even at that, Imperatore does pretty well because he runs an efficient company. Others aren't so lucky.

"The industry is at a breakeven point. Volume is off, we're in the deepest decline in 33 years. There's a certain degree of panic among carriers. Under those very grave conditions there's the pressure and leverage of reduced rates pitting carriers against each other, fighting for survival," he says. "It's a myth that carriers set rates at any level they damn please. That's impossible in a situation of enormous capacity chasing declining tonnage."

As long as rate-slashing continues, not even the most efficiently run company can preserve its profits, says Imperatore. "We're not invulnerable. Successful companies like ours are marginal at best. It's difficult to survive."—B.B.

American Trucking Association's Edward Kiley

If truckers are squeezed, they'll bargain harder with labor.

Which is why those rate wars you keep forecasting could be so destructive. It's that old zero sum game where nobody makes any gains except at somebody else's expense.

That's right. As the competitive pressures mount and rate reductions are made, the bigger companies will perform better, since they have the financing available to withstand the rate competition. They can achieve economies of scale better than the smaller truckers. Usually the bigger companies have more efficient managements, too. Because they can't compete with the lower rates of the bigger truckers, the smaller truckers will either be forced to stop competing in certain markets, or they will be absorbed by large companies or go out of business.

So the big carriers—public companies most of them—are likely to be the big gainers from deregulating. Do you expect the distinction between carriers to break down, too? Would you expect a contract carrier like Leaseway Transportation to become a common carrier or Consolidated Freightways to become a contract carrier?

There's no question that the big general-freight regular-route carrier will probably become an irregular route truckload carrier as well and a contract carrier, too. There will be more special rates offered shippers as a result of the new dual operations. A shipper will be able to get a different rate because the carrier can now be a contract carrier—in contract with him, dedicating equipment, giving special service.

And that holds for agricultural and other exempt commodities, which regulated truckers haven't been able to handle in the past?

The bill provides that the commodity restrictions be lifted. So you will probably find more carriers carrying more commodities than they carry today.

It's going to change the way the game is played pretty drastically.

Big shippers may be getting lower rates on truckload traffic because their business is so valuable to the truckers. But small less-than-truckload shippers will probably pay more for service as operators raise their rates to compensate for price-cutting in truckload freight. The new act also improves the opportunities for the private carrier. Before, he couldn't haul for subsidiary corporations, only the parent corporation could haul. General Mills, for example, has a fleet of trucks that hauls basically freight for General Mills, that's their primary business, cereal manufacturing and grain. General Mills also owns a lot of subsidiaries: Eddie Bauer (sports shops), Red Lobster Inn, Parker Brothers (games). They can now haul for all these subsidiaries. That means, of course, a loss of traffic to the common carrier he was using before.

Will you be taking money away from the railroads?

What the trucking industry has grown on over the years has been with traffic the railroads don't want—serving points they don't want to serve. They gave it up. We merely want to do what we're doing more efficiently.—**Beth Brophy**

Truckers and shippers

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Truckers												
RLC	30.8%	1	23.0%	1.7	10.0%	4	10.8%	6.3%	10.4%	8	210.4%	1
Leaseway Transportation	24.0	2	20.9	1.5	9.7	5	10.6	4.6	13.7	6	15.5	4
Ryder System	22.4	3	17.5	1.6	7.1	7	9.4	3.4	20.0	1	38.9	2
Consol Freightways	22.4	4	13.2	0.3	9.9	2	17.6	2.7	16.0	4	20.1	3
Roadway Express	22.3	5	21.3	0.0	20.0	1	21.1	5.9	16.7	3	14.9	5
Yellow Freight System	19.0	6	9.0	0.3	5.9	3	13.6	2.4	17.3	2	9.4	6
McLean Trucking	12.5	7	def	1.0	0.5	6	9.6	def	15.8	5	1.6	8
Allied Van Lines	9.2	8	11.6	0.7	8.8	8	7.3	0.4	12.1	7	3.1	7
Medians	**22.4**		**15.4**	**0.9**	**9.3**		**10.7**	**3.1**	**15.9**		**15.2**	
Other surface transportation												
Natomas	25.6%	1	29.7%	0.6	20.1%	1	16.8%	15.5%	40.1%	2	31.4%	2
Gelco	25.1	2	32.9	4.5	10.5	6	7.2	5.7	60.0	1	34.9	1
Transway Intl	18.2	3	11.5	0.2	9.7	2	14.6	2.5	9.7	6	10.7	4
Moore McCormack Res	17.3	4	18.0	0.9	9.2	5	9.2	7.4	20.0	3	21.4	3
Greyhound	13.2	5	15.8	0.5	11.6	3	9.6	2.6	5.8	7	4.5	6
Alexander & Baldwin	12.5	6	23.1	0.6	14.6	4	9.4	14.5	9.7	5	4.7	5
Seatrain Lines	def	7	def	NE	def	7	2.4	def	18.2	4	D–D	7
Medians	**17.3**		**18.0**	**0.6**	**10.5**		**9.4**	**5.7**	**18.2**		**10.7**	
Industry medians	**19.0**		**17.5**	**0.7**	**9.7**		**9.6**	**3.4**	**16.0**		**14.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
D-D: deficit to deficit. def: deficit. NE: negative equity.

In beer and soft drinks, most of the market that's still available is somebody else's.

Beverages

THE TROUBLE WITH mature industries is that competition is pretty much the old zero-sum game. Company A can expect to make any substantial gains only at the expense of company B, and that's exactly what has been going on in the beverage industry for some years now: an allout war for market share among the industry leaders, with strong challenges from second-tier producers. In carbonated soft drinks it's Coke and Pepsi—again—with backfield challenges from a hungry Philip Morris (7UP) and the field's newest entrant, Procter & Gamble (Crush). In beer, beleaguered Philip Morris is continuing its second-place onslaught against Anheuser-Busch. Meanwhile, G. Heileman and a resurgent Adolph Coors are scoring points against weak sisters Pabst, Schlitz and Olympia.

The problems are the same for both soda pop and beer: Carbonated soft-drink volume, which grew at better than 7% a year in the Sixties and Seventies, is likely to slow to 4% or less during the coming decade. Beer consumption, meanwhile, settled down to a modest 3% annual growth rate.

Inflation and recession have only made things worse. Precipitous increases in the cost of fuel, labor, packaging and raw materials—sugar has nearly trebled in price during the past 12 months—have cut into margins. Although some of the slack has been taken up by price increases, the limits are quickly approaching: Beer and soft-drink consumers are increasingly price-sensitive impulse buyers.

So marketing makes all the difference. Last year Pepsi spent about $90 million on advertising while Coke's ad budget approached $103 million. And a wave of discounting and feature pricing moved the battle on to the supermarket shelves. While Coca-Cola's dollar sales increased by over 18% last year, its profits were flat. Pepsi, on the other hand, not only showed a 12% profits rise on a sales jump of over 15% but also succeeded, at least for a while, in snatching away from Coke first place in supermarket sales, though Coke still dominated the market overall—with around 35% to Pepsi's 25%.

The losers, of course, are the smaller players. Royal Crown, a distant third in the cola market, watched profits drop 13% on a 4% sales increase. "We just cannot afford to promote the way the competition does," admits a glum Royal Crown official. Philip Morris, meanwhile, saw Seven-Up's market share shrink from 5.6% to 5.4%—that's a swing of $25 million in sales. Procter & Gamble, the big new force in the business, is not talking.

Bottlers are worried too: The shift to high-fructose corn sweeteners has taken some strain off margins, but undersupply—combined with a doubling of prices last year—has severely limited the relief. Likewise, the shift to two-liter plastic bottles has reduced packaging costs, but at the expense of sales. "The size is heavy and bulky," says Lehman Brothers analyst John Maxwell Jr. "As a result, people seem to be buying only

Beverages

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
G Heileman Brewing	30.2%	1	33.7%	0.3	23.9%	2	22.3%	4.8%	26.2%	1	30.3%	1
Coca-Cola	23.6	2	21.6	0.0	20.2	1	22.3	7.4	14.1	4	11.9	4
PepsiCo	21.9	3	22.1	0.5	15.3	3	16.0	4.9	19.6	2	16.5	2
Brown-Forman Dist	16.8	4	23.9	0.4	17.1	5	13.0	8.2	11.7	7	16.2	3
Heublein	16.2	5	16.8	0.5	12.0	7	11.7	4.1	9.7	9	9.3	9
Anheuser-Busch Cos	15.6	6	18.1	0.5	11.5	9	10.0	5.2	13.7	5	9.3	8
Royal Crown Cos	15.0	7	12.5	0.6	9.3	4	13.0	2.9	13.6	6	3.4	11
National Distillers	12.9	8	10.5	0.3	8.4	8	10.2	5.0	8.2	11	10.8	5
Adolph Coors	12.8	9	10.8	0.0	10.0	6	12.1	8.2	11.5	8	7.9	10
Seagram	10.8	10	11.8	0.4	9.8	10	8.4	5.7	6.3	12	10.3	6
Olympia Brewing	8.5	11	4.3	0.2	4.1	11	7.4	0.8	17.1	3	10.1	7
Pabst Brewing	6.8	12	4.1	0.1	3.7	12	6.2	1.3	8.4	10	–4.3	12
Jos Schlitz Brewing	0.7	13	def	0.3	def	13	1.4	def	5.4	13	–44.4	13
Industry medians	**15.0**		**12.5**	**0.3**	**10.0**		**11.7**	**4.9**	**11.7**		**10.1**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
def: deficit.

A supermarket display for Miller beer
The rewards of market share are too big to ignore.

one at a time." And sales of the higher-margin sugar-free products—Tab, Diet Pepsi and the like—while growing at a significant rate, are nonetheless being held down by consumer concern with FDA reports linking saccharin with cancer.

If there is any difference in the beer market, it is that the pecking order seems to be a lot clearer. Despite Philip Morris' success with Miller, Anheuser-Busch has retained its solid hold on first place, accounting for 28.4% of all domestic beer sales, according to John Maxwell. "We're in the middle of a $2 billion capital expansion program," says an A-B officer, "virtually all of it devoted to increasing capacity." Miller, meanwhile, has been chastened by the test-market failure of two beers—Clipper and Players—and the disappointing performance of domestic Lowenbrau. An attempt at raising prices last spring also fizzled when Anheuser-Busch refused to follow suit.

At the bottom end, there may be cause for cautious optimism. After years of agony, Schlitz' continuing sales decline appears to be slowing, although the brewer has relinquished its number three spot to Milwaukee neighbor Pabst, and was forced to sell off its 5.4-million-barrel Syracuse, N.Y. brewery to Anheuser.

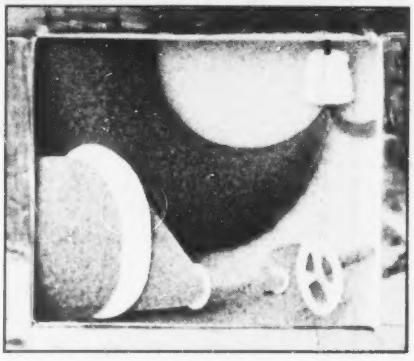
Meanwhile, there is still money to be made in the middle, where the regional brewers have been able to carve markets out of holes in the national brewers' distribution networks. Heileman continues to be the leader in growth and profitability, with an impressive 25% earnings gain on a sales jump of over 20%. Adolph Coors, the Colorado brewer, has recovered some western market share lost during its *Drang nach Osten*. Last year, sales were up 12% and earnings gained almost 8%.

The biggest question continues to be pricing. "It boils down to this," comments Smith Barney's Joseph Doyle. "Will the industry establish healthy prices that allow for better profit margins and bigger returns on capital, or will it revert to its past practice of putting market share gains ahead of financial and pricing considerations?"

One thing is clear: The industry is unlikely to abandon its preoccupation with market share any time soon. The rewards are simply too great. After all, Coca-Cola's commanding position in the market has played no small role in its long-term success. More to the point: In moving Miller from seventh place in the beer business, with under 5% of the market, to second place with over 20%, Philip Morris transformed a ho-hum midwestern brewer into one of the industry's biggest moneymakers.—**Stanley Ginsberg**

For the utilities, the overriding question is: Can they afford to finance the growth that lies ahead of them in the Nineties?

Electric utilities



FOR DECADES DUKE POWER OF CHARLOTTE, N.C. was one of the U.S.' leading proponents of cheap electric power. Every year the company built more generating capacity and sold more power at lower cost and higher profits. But now things have changed. Duke still sells more power than ever before, but the costs are higher and the profits lower. The company has put on the brakes. Now, it is selling conservation instead. Says Duke's CEO, Carl Horn Jr. "It used to cost less per kilowatt to build each year. That turned around in 1970."

It took Duke a while to realize what was happening. Demand was still growing at about 7% a year. By the early Seventies inflation and the high cost of money had begun catching up with it. Every new kilowatt of capacity cost roughly double what existing capacity had cost. To meet demand Duke would have had to triple its assets in ten years. The company was already sinking in debt, costs were rising and the delay in rate adjustments that had once helped earnings was now depressing them.

In August 1974 the company finally faced the fact that the world had changed. Duke Power simply could not afford to go on growing. Says Horn, waving a lighted cigarette at the massive boardroom table, "The concept of load management [an effort to reduce peaks in demand] was born right here. We simply had to do something to reduce demand."

The strategy worked. Since then the growth in Duke's Sunbelt region has dropped from an average of 10% a year in the Sixties to 4.2% today, and the company plans to keep it at or below that level through the mid-Nineties. The utility is spending $10 million a year to sell customers on conservation, persuading them to install home insulation and use time-of-day rates. It will spend another $14 million a year by 1985 to install load management equipment, which helps conserve electricity during peak periods. By 1994 that $340 million investment will cut Duke's prospective capacity needs by some 24% and save about $10.4 billion in construction bills.

Duke cannot stop building altogether. "We just want to keep our expansion at the very minimum," says Horn. Duke has about $3.6 billion worth of capacity under construction and slated for operation in or before 1986—an overall 39% expansion in capacity. But it managed to finance that only by selling nearly half the new capacity to publicly owned rural and municipal customers in North and South Carolina who are expected to pay an estimated $1.8 billion. "The day existed when we wouldn't have done this on principle," says Horn. "But when survival becomes the issue, philosophy goes out the window." Duke shouldn't need outside financing until 1982.

The financial problems that faced Duke in 1974 now haunt the whole electric utility industry. Construction costs—pegged at over $55 billion for the next two years by Paine Webber analyst Charles Benore—have clearly gotten out of hand, and most companies are already heavily overburdened with high-interest debt. In struggling to complete unaffordable construction programs, companies must borrow long-term money at rates of 15% and above, and have had to raise capital by issuing new stock at an average 25%-to-30% discount to book value. It's a situation that clearly cannot go on forever.

In the circumstances, the abrupt slackening in electric power demand has come to seem like a blessing in disguise. A 7% growth rate required doubling capacity every 10 years. A 3% rate requires doubling only every 24 years.

But the electric utilities still have big problems. When there's a 10-year gap between the inception and completion of a project, companies must predict their growth rates 10-to-15 years in advance—well beyond the 5-year planning cycle most companies consider realistic. And what if they are wrong? What if the industry resumes its historic 7% pattern?

In fact, the industry is still suffering the effects of planning mistakes it made in the early Seventies when many companies started major construction programs in anticipation of a 7% growth that never materialized. The results were top-heavy debt structures and sagging earnings and rates of return. The industry had an average 31% reserve margin during peak periods last year—well above the 20% safety cushion required—and it's not going to work that off for years. Most analysts look for only 3% growth in demand. At that rate, utilities should still have a reserve margin of well over 30% by 1989, provided current construction timetables are met, says Goldman, Sachs' Ernest Liu. At higher rates of growth, there would still be ample reserves at the end of the decade, he says.

Electric utilities

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Northeast												
New England G & E	13.8%	**1**	14.7%	0.7	7.0%	**2**	6.9%	5.5%	12.5%	**10**	7.4%	**2**
Long Island Lighting	13.4	**2**	12.9	0.8	7.8	**1**	7.5	15.7	14.2	**2**	3.0	**7**
New England Electric	12.5	**3**	12.7	0.9	6.4	**10**	6.2	7.1	11.4	**12**	5.4	**3**
N Y State Elec & Gas	12.4	**4**	13.1	1.0	7.1	**3**	6.9	14.3	14.2	**1**	4.5	**4**
Pa Power & Light	12.3	**5**	10.6	0.8	6.0	**4**	6.8	20.6	13.8	**4**	2.6	**8**
Consolidated Edison	11.6	**6**	11.2	0.8	6.5	**6**	6.4	9.0	10.7	**13**	11.1	**1**
Pub Svc Elec & Gas	11.6	**7**	11.8	0.8	6.3	**9**	6.3	9.5	13.5	**6**	3.5	**6**
Delmarva Power & Lt	11.3	**8**	11.3	1.0	6.3	**5**	6.5	10.8	13.6	**5**	0.6	**10**
Niagara Mohawk Power	10.8	**9**	10.4	0.9	6.1	**8**	6.3	8.9	13.1	**7**	1.4	**9**
Rochester Gas & Elec	10.8	**10**	10.1	0.8	6.4	**7**	6.4	9.1	11.8	**11**	4.0	**5**
Northeast Utilities	9.9	**11**	8.9	1.2	5.3	**11**	5.7	6.4	10.5	**14**	–1.9	**13**
Phila Electric	9.9	**12**	10.3	1.0	5.8	**12**	5.6	10.7	12.8	**8**	–0.8	**12**
Boston Edison	9.7	**13**	11.8	0.9	5.6	**14**	5.3	7.5	12.8	**9**	–0.3	**11**
General Public Utils	8.4	**14**	2.4	1.0	3.4	**13**	5.4	1.9	14.2	**2**	–3.3	**14**
Medians	**11.5**		**11.3**	**0.9**	**6.3**		**6.4**	**9.1**	**13.0**		**2.8**	
Midwest												
Public Service Indiana	15.1%	**1**	13.9%	0.7	7.0%	**1**	7.4%	19.7%	16.9%	**7**	8.2%	**1**
Indianapolis Pwr & Lt	14.5	**2**	16.1	0.8	7.7	**4**	6.9	17.1	15.4	**12**	5.0	**6**
Wisconsin Public Svc	13.6	**3**	13.2	0.6	6.7	**2**	7.2	8.3	16.7	**8**	7.6	**2**
Kansas Power & Light	13.0	**4**	14.0	0.7	7.1	**5**	6.8	13.1	18.4	**2**	4.3	**7**
Cleveland Elec Illum	12.8	**5**	10.9	0.8	6.4	**3**	7.0	13.7	13.9	**20**	2.1	**11**
Cincinnati G & E	12.7	**6**	11.3	1.1	6.4	**7**	6.8	9.5	15.1	**13**	3.0	**10**
Illinois Power	12.7	**7**	13.3	0.9	6.8	**10**	6.6	12.9	16.4	**9**	1.8	**12**
No States Power	12.6	**8**	10.9	0.7	5.6	**15**	6.3	9.3	13.8	**21**	3.3	**9**
Wisconsin Pwr & Lt	12.6	**9**	13.1	0.7	6.7	**6**	6.8	8.8	17.0	**6**	5.3	**5**
Union Electric	12.3	**10**	14.3	0.9	6.7	**12**	6.4	14.9	14.9	**15**	4.3	**8**
Wisconsin Elec Power	12.1	**11**	11.5	0.7	6.1	**8**	6.7	8.5	13.8	**22**	6.8	**3**
Central Ill Pub Svc	12.1	**12**	12.0	1.0	6.7	**13**	6.4	10.8	17.7	**5**	0.6	**15**
Consumers Power	11.8	**13**	9.8	0.8	5.5	**18**	6.0	9.1	14.5	**18**	6.2	**4**
Toledo Edison	11.7	**14**	10.5	1.0	6.4	**9**	6.6	16.5	18.2	**3**	–1.5	**19**
American Elec Power	11.5	**15**	11.5	1.1	6.9	**11**	6.5	9.6	18.1	**4**	–0.7	**17**
Allegheny Power	11.2	**16**	10.8	1.0	5.9	**16**	6.1	7.9	15.7	**10**	0.4	**16**
Ohio Edison	10.8	**17**	9.6	1.0	5.7	**16**	6.1	12.7	15.4	**11**	–1.8	**22**
Dayton Power & Light	10.4	**18**	10.4	1.0	6.0	**14**	6.4	10.1	14.5	**17**	–1.7	**20**
Central Illinois Lt	10.3	**19**	10.5	0.8	5.4	**21**	5.5	8.0	19.2	**1**	–1.7	**21**
Kansas City Pwr & Lt	10.3	**20**	13.2	1.0	6.1	**23**	5.4	14.8	15.1	**14**	0.7	**14**
Commonwealth Edison	9.9	**21**	8.7	1.0	5.2	**20**	5.6	10.5	13.4	**23**	–0.8	**18**
Duquesne Light	9.6	**22**	10.6	0.9	5.9	**19**	5.6	13.6	14.8	**16**	–5.4	**23**
Detroit Edison	9.6	**23**	8.9	1.0	5.3	**22**	5.4	10.1	14.2	**19**	0.8	**13**
Medians	**12.1**		**11.3**	**0.9**	**6.4**		**6.4**	**10.5**	**15.4**		**1.8**	

Note: Explanation of Yardsticks calculations on page 49.

Given the costs of carrying all that unused capacity, it's no wonder he says, "The electrical utility industry's long-term fundamentals continue to be unfavorable."

But because of long lead times involved in new plant construction, executives are already planning for 1990 and beyond, when these excess reserve margins may be exhausted, and are wondering how they're going to finance their future.

Largely in the interest of financial health, not a few companies have taken tacks similar to Duke Power's. Southern California Edison has reduced growth projections to under 3% a year for the Eighties via conservation and load management. By 1990, it plans to be meeting almost one-third of its new demand with alternate energy sources such as wind power, geothermal, fuel cells and cogeneration (industrial generation from excess steam). New England Electric System has similar ideas. And last November, Virginia Electric dropped a nuclear unit in favor of load management.

These companies have their critics. At peak periods in 1989, Duke Power will have only 10% reserve margins, or about half what the industry considers prudent. That's *if* the plan to keep growth down works. If it doesn't, says Donaldson, Lufkin & Jenrette's Ed Gaylor, "they will be power short." Duke counters that it can build small facilities quickly, or buy power from its neighbors in a pinch. The others, too, think the risks are supportable. Besides, they say, there are no alternatives.

"The conservation ethic certainly has its place," says Willis S. (Pete) White Jr., head of American Electric Power, one of the U.S.' best-run and most efficient companies. "But if the economy is going to grow [in real terms], no one would dispute that it's going to take more energy." Conservation without construction, he feels, could lead to long-feared brownouts and that could affect the economy, employment and the industry's ability to produce. Design your own apocalypse.

AEP does have conservation and load-management programs. It even has an innovative technology of its own for home heating. But, says AEP's chief system planner, Gregory S. Vassell, flatly, "I think *most* conservation has already taken place. We are certainly for it, but we aren't going to jump to any conclusions before all the facts are in." White and Vassell therefore plan to build. In this decade alone, AEP will spend at

Electric utilities

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Southeast												
Tampa Electric	14.1%	1	15.4%	0.8	6.9%	4	6.4%	9.4%	19.2%	2	7.9%	2
Duke Power	13.0	2	13.9	0.8	7.2	1	6.8	18.5	15.8	10	8.6	1
Florida Power	12.6	3	10.7	0.7	5.7	8	6.1	8.0	19.3	1	4.7	4
Florida Power & Lt	12.6	3	12.8	0.8	6.2	5	6.3	9.6	16.8	7	5.9	3
Middle South Utils	12.0	5	11.0	1.3	5.9	9	6.1	8.5	18.7	4	1.9	9
So Carolina E & G	12.0	6	11.5	1.0	5.7	7	6.1	10.3	16.4	8	2.8	7
Carolina Pwr & Lt	11.8	7	9.4	0.9	5.3	6	6.2	13.6	17.2	6	2.8	6
Potomac Elec Power	11.5	8	12.7	1.0	6.9	2	6.6	12.5	14.5	12	4.3	5
Baltimore Gas & Elec	11.4	9	11.4	0.9	6.4	3	6.6	11.3	12.7	13	2.7	8
Louisville Gas & Elec	10.5	10	11.0	0.8	5.8	11	5.9	8.9	14.7	11	–0.3	10
Southern Company	10.5	11	13.2	1.1	5.8	13	5.3	9.4	17.4	5	–1.2	11
Va Electric & Power	9.7	12	9.0	1.0	5.7	10	5.9	10.1	19.0	3	–1.6	12
Kentucky Utilities	8.8	13	6.7	0.8	4.9	12	5.3	7.3	16.0	9	–3.1	13
Medians	**11.8**		**11.4**	**0.9**	**5.8**		**6.1**	**9.6**	**16.8**		**2.8**	
Southwest												
Southwestern Pub Svc	18.9%	1	15.7%	1.0	7.0%	1	8.0%	10.1%	22.8%	2	8.2%	2
Houston Industries	14.5	2	13.9	0.9	7.1	2	7.7	8.0	27.3	1	8.5	1
Central & South West	14.1	3	13.9	0.7	6.9	5	7.1	10.4	19.6	4	4.9	4
Arizona Public Service	13.5	4	12.7	1.0	7.3	3	7.5	18.5	18.9	7	4.4	5
Texas Utilities	13.2	5	14.2	0.9	7.6	4	7.3	12.9	19.2	6	5.0	3
Gulf States Utils	12.1	6	14.8	1.0	7.1	6	6.0	12.3	19.6	5	2.2	6
Oklahoma Gas & Elec	10.9	7	9.5	0.8	5.4	7	5.9	8.6	20.5	3	–1.2	7
Medians	**13.5**		**13.9**	**0.9**	**7.1**		**7.3**	**10.4**	**19.6**		**4.9**	
West												
Southern Calif Edison	12.0%	1	11.6%	0.9	6.9%	3	6.9%	10.0%	15.3%	8	5.7%	1
Pacific Pwr & Lt	11.9	2	10.4	1.3	5.9	5	6.6	11.8	22.2	2	2.0	2
Pacific Gas & Elec	11.3	3	11.8	0.8	7.4	2	7.0	10.0	18.7	6	1.8	3
Utah Power & Light	11.2	4	11.2	0.9	6.8	4	6.8	15.9	23.9	1	1.8	3
San Diego Gas & Elec	11.1	5	6.2	0.9	5.5	1	7.0	5.9	20.6	4	1.8	3
Montana Power	10.2	6	10.5	0.9	6.4	6	6.3	8.7	21.4	3	–1.8	6
Public Service Colo	9.6	7	10.4	1.0	6.1	8	5.6	6.8	18.8	5	–3.2	7
Portland Genl Elec	7.8	8	7.1	1.1	5.0	7	5.6	12.7	18.7	7	–8.2	8
Medians	**11.2**		**10.5**	**0.9**	**6.3**		**6.7**	**10.0**	**19.7**		**1.8**	
Industry medians	**11.8**		**11.3**	**0.9**	**6.3**		**6.4**	**10.1**	**15.8**		**2.2**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Duke Power President Bill Lee (left) *and Carl Horn Jr.*
Philosophy went out the window.

least $4 billion on new coal-fired capacity.

But in many ways AEP's position is special. Sprawling across eastern coal fields, AEP has plenty of low-cost fuel at hand, and if it ends up with capacity it cannot use, AEP can sell any excess to its neighbors because its massive coal-fired plants can provide cheaper power than most of its compatriots can. More to the point, because it has been able to realize a return on its unneeded capacity, AEP's balance sheet is still in reasonably good shape, and it can still afford to finance its expansion.

Companies like Northeast Utilities are not so fortunate. Saddled with expensive nuclear and oil-fired plants, they are already paying dearly for overcapacity. These companies need rate increases to cover heavy interest and building costs. But utility commissions, mired in the politics of rate-making, are reluctant to grant them. If commissions were willing to grant rates to cover true costs, the industry argues, it would be in clover. But for the most part, they are not.

Which is why for the time being conservation and load management may be the only way out. According to Harvard Business School's energy expert, Robert Stobaugh, co-author of *Energy Future*, utilities could save 15% to 20% of the nation's energy consumption by investing in conservation and alternative energy. "If they do that," Stobaugh says, "they are not going to be power short. It's as simple as that. And only a handful have even started." No one recommends utilities stop construction now in progress. "The trouble is that many utilities see their job as building power plants," says Stobaugh, "not providing overall energy service. Well, that's how Ford Motor Co. got into trouble. The economics said they should build smaller cars. And what did they do? They went right on building big ones."—**Alyssa A. Lappen**

Toward the OPEC of the future

Anyone skeptical of how much conservation can do to reduce U.S. energy consumption need look no further than Boston's giant Gillette Co. "We're not talking theory," notes Cameron Beers, Gillette's energy conservation coordinator. "It's happened. We've done it."

In Santa Monica, Calif., Paper Mate and Flair pen production has increased over 200% in the last seven years. Making those pens takes less than half the electricity it did in 1973. Despite soaring electric rates, energy costs per pen rose a mere 29%. In St. Paul, Minn. Toni hair-care products and Soft & Dri deodorant are made with 38% less juice than in 1973.

That was the year executives at Gillette set out to reduce energy consumption at 50 facilities in 26 countries by 10%, and save $500,000 a year. Even some insiders were skeptical it could be done. But by 1980, sales had more than doubled to $2.2 billion, and energy use was down well over 30% from 1973. Roughly half that savings was in electricity. In the first six years Gillette had avoided $20 million in fuel and electric bills, a savings which last year rose to $7 million—about 23 cents a share pretax—annually. Yet the cost was negligible. There is no full-time staff, only part-time coordinators and local conservation teams at each plant. Even Cameron Beers spends only a third of his time on conservation.

Says Beers, "Energy conservation is no one major thing. It's the sum total of little things that add up to oh-my-god numbers." For example, 150-watt incandescent bulbs in the corporate reception area were replaced with new 75-watt ellipsoidal reflector lamps. That and other bulb changes reduced electric use there by 40% overall, *without* affecting light levels. Now Beers is testing task lighting (specific lighting rather than general) to cut electric use even more.

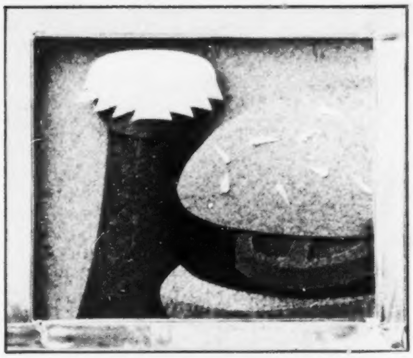
Ideas generated in one plant are circulated throughout the whole company. Various plants are also experimenting with technologies like solar, Beers says. Gillette thus expects to achieve yet another corporate goal: to reduce energy consumption per product unit by a good 15% over 1979 levels within three years.

Beers has no doubt the company can do it. British plants, more energy-efficient than American plants to begin with, have already met half that target. Says Beers, "I get more technological ideas on my desk today than in the last five years." By 1982 he expects the company will be using only 50% of the energy it did in 1973.

And after that, will there be still more room for improvement? "Oh, sure," laughs Beers. "If we can develop all of the alternative energy resources in the U.S. . . . and at the same time promote and continue the technological evolution of conservation, we, the Free World, can be the OPEC of the future."—A.A.L.

Sodium parking lot lights in Andover, Mass.
Gillette's goal is to cut energy usage another 15% by 1982.

The OPEC squeeze and more prosperous overseas trading partners have put a strain on grain. One solution: a chicken in every pot.



Food processors

If the nation's meat processors and agricultural commodities producers are to be believed, you may as well bid a lingering good-bye to beef as the American consumer's meat of choice. Unlike other periods when the four-year cattle cycle peaked, per capita beef consumption in 1980 has actually declined from its previous high. What is more, consumption promises to continue dropping.

The problem is economics—and not just the traditional supply-demand economics of the beef market but the changing economics of corn, the principal feed crop. With annual production rising in recent years to 7 billion bushels, the U.S. is far and away the biggest producer of corn in the world. Until the mid-Seventies, domestic users accounted for nearly 90% of the crop in the form of feeds, consumer goods and chemicals.

The rise of OPEC and a changing world economic balance inevitably affected the corn business. The higher per capita income of countries like Japan, Korea, the Persian Gulf states and those of Western Europe was committed in part to upgrade the national diets and that translated into more meat. Ergo, more feed imports. Back in 1970, when a bushel of corn fetched $1.33, the U.S. exported 12.4% of its 4.15-billion-bushel harvest. By 1975 that proportion had grown to 29% and

Food processors

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Meatpackers												
Keystone Foods	25.6%	**1**	21.6%	0.6	14.0%	**3**	14.8%	1.0%	29.9%	**1**	23.9%	**2**
Tyson Foods	21.6	**2**	2.6	1.5	3.4	**4**	14.3	0.3	17.2	**4**	29.9	**1**
Iowa Beef Processors	20.9	**3**	19.7	0.3	16.2	**2**	16.0	1.1	17.4	**3**	20.0	**3**
Idle Wild Foods	20.3	**4**	16.3	0.3	12.5	**1**	16.3	1.0	10.1	**6**	18.4	**4**
George A Hormel	15.7	**5**	19.4	0.2	17.2	**5**	13.9	2.8	8.2	**8**	14.6	**5**
Oscar Mayer	14.2	**6**	10.0	0.1	8.9	**6**	11.9	1.8	9.4	**7**	7.5	**6**
Greyhound	13.2	**7**	15.8	0.5	11.6	**7**	9.6	2.6	5.8	**10**	4.5	**7**
Frederick & Herrud	12.3	**8**	13.8	0.6	9.8	**8**	9.0	0.8	18.5	**2**	0.2	**9**
Esmark	11.4	**9**	11.2	0.6	7.7	**9**	8.2	2.4	6.7	**9**	3.8	**8**
General Host	5.6	**10**	23.2	1.2	11.6	**10**	5.2	2.2	4.1	**11**	–21.1	**10**
Monfort of Colorado	def	**11**	def	0.7	def	**11**	def	def	12.8	**5**	P–D	**11**
Rath Packing	def†	**12**	NE	NE	37.6	**12**	def	0.6	1.3	**12**	D–D	**12**
Medians	**13.7**		**15.8**	**0.6**	**11.6**		**10.8**	**1.1**	**9.8**		**6.0**	
Agricultural commodities												
ConAgra	28.3%	**1**	21.6%	0.6	14.2%	**2**	16.0%	2.1%	7.7%	**10**	90.6%	**1**
Kay	28.1	**2**	36.5	1.6	12.5	**3**	14.2	1.1	25.2	**1**	68.0	**2**
Pioneer Hi-Bred Intl	25.5	**3**	29.5	0.2	24.4	**1**	22.7	14.1	20.8	**2**	23.3	**3**
Archer Daniels Midland	18.0	**4**	19.8	0.3	14.9	**4**	14.1	4.4	13.8	**5**	22.4	**4**
DEKALB AgResearch	17.3	**5**	16.3	0.3	12.5	**5**	13.4	8.0	18.0	**4**	15.0	**6**
A E Staley Mfg	15.3	**6**	25.7	0.4	16.7	**6**	11.2	4.5	19.8	**3**	11.9	**8**
Seaboard Allied Milling	14.6	**7**	10.6	0.3	7.9	**9**	10.3	1.3	8.7	**8**	19.0	**5**
Peavey	12.6	**8**	16.1	0.5	11.5	**10**	9.8	3.1	9.1	**7**	5.7	**11**
Central Soya	12.5	**9**	12.9	0.4	10.6	**11**	9.7	2.0	7.9	**9**	6.8	**10**
Dibrell Brothers	12.5	**9**	10.5	0.4	9.4	**8**	10.5	1.3	10.2	**6**	11.2	**9**
Anderson, Clayton	11.8	**11**	10.6	0.1	10.6	**7**	10.9	2.8	6.8	**11**	13.7	**7**
Savannah Foods	2.7	**12**	def	0.7	def	**12**	2.9	def	3.1	**12**	–20.4	**12**
Medians	**15.0**		**16.2**	**0.4**	**12.0**		**11.1**	**2.5**	**9.7**		**14.4**	
Industry medians	**14.4**		**16.1**	**0.5**	**11.6**		**11.1**	**1.9**	**9.8**		**12.8**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
†Four-year average. P-D: profit to deficit. D-D: deficit to deficit. def: deficit. NE: negative equity.

A western farmer rides herd on his hogs
Twice the meat per pound of feed in one-fourth the time.

by 1980, to over 40%—at prices upwards of $3.50 a bushel.

There are other new demands on corn as well, like its uses as a fuel feedstock and in sweeteners like high-fructose corn syrup (HFCS). Much of this demand, of course, is yet another result of the OPEC oil squeeze, which has driven Brazil, producer of 7% of the world's sugar supply, to convert a significant part of its crop into fuel-grade ethanol. In the space of a single year, the spot price of raw sugar has almost trebled because of increased demands on dwindling market supplies; the decisions of soft-drink manufacturers to use HFCS in their syrups is a sign of things to come.

Which brings us back to meat. As much as you may relish the thought of a well-aged, nicely marbled steak, the simple fact is that cattle, compared with other meat animals, are inefficient converters of grain to protein. For every pound of weight it puts on, the typical U.S. feeder steer has to consume anywhere between 8 and 10 pounds of feed. By contrast, a hog needs 4 pounds of grain for every pound of meat and a chicken needs only 2 pounds. There's a time difference as well: It takes two years to ready a steer for slaughter, versus six months for a hog and seven weeks for a broiler.

Such disparities in time and feed are necessarily reflected in price so that, not surprisingly, American consumers are opting more and more for pork and poultry. In 1975, for example, the average citizen consumed 88.9 pounds of beef, 51.2 pounds of pork and 49.2 pounds of poultry. Last year per capita beef consumption had dropped to 78.4 pounds while pork showed a 34% rise to 68.7 pounds. Poultry, meanwhile, gained 27%, bringing consumption to 62.3 pounds.

This has meant tough times for the beef processors. "The assembly-line beef fabricators like Iowa Beef Processors and MBPXL dominated the industry with newer plants and lower labor costs," says Glenn Grimes, an agricultural economist at the University of Missouri. "Wilson is gone, Swift is almost out and Armour is changing strategy." The rub, of course, is that they are now stuck with excess capacity. No surprise that Iowa Beef recently announced its intention to go into the hog slaughtering business as a way to redirect its resources at a growing industry segment. Others, meanwhile, are phasing out their fresh meat operations. Oscar Mayer & Co., for instance, is planning to close the hog-slaughtering facilities at its Davenport, Iowa plant and reduce fresh-kill capacity from 5 million pounds a year to 3 million. At the same time, the company is spending heavily behind its higher-margin processed meats operations and in 1979 acquired Louis Rich, Inc., an Iowa manufacturer of turkey products, including cold-cut look-alikes. "The long-term love affair with beef has slowed some," confesses Oscar Mayer economist Patrick Luby. "Our biggest growth area right now is the white meats—turkeys."

And then there is chicken, the most efficient grain-to-protein factory there is—and one capable of producing significantly better margins at all levels of the food industry. You can see it most clearly in fast foods, where rising beef costs have put a severe strain on margins, forcing the chains to come up with cheaper alternatives *(see box)*. At Keystone Foods, for instance, a McDonald's supplier, pretax margins on beef patties can go as low as 2%. "Although beef is our main product," concedes James Loftis Jr., a Keystone spokesman, "we have a lot of interest in poultry." Burger King introduced a chicken sandwich two years ago that has become a roaring success; McDonald's is currently test marketing a similar product in 3,700 outlets.

William Roberts, agribusiness analyst at Piper, Jaffray & Hopwood in Minneapolis, sums up the problem: "We are using grain exports to offset our dependence on imported energy," he says. "The need for cheaper energy means a move further down the meat ladder." Or, as Marie Antoinette might have put it, "Let them eat chicken."—**Stanley Ginsberg**

A hunger for variety

Thanks to changing tastes and rising beef prices, the king of the fast foods business—the mighty hamburger—is finally being forced to move over a little. Fast foods chains are beginning to add chicken and other nonbeef items to their slow-changing menus. As the price of ground beef has crept up—from 85 cents to $1.62 per pound since 1977—nonburger items permit a chain to offer its customers more menu alternatives.

So far three big hamburger chains—McDonald's, Burger King and Wendy's International—are involved in the trend. Burger King, a Pillsbury subsidiary, was the first to introduce a chicken sandwich over its entire system as part of a line of "specialty sandwiches" introduced during 1979. Now, chicken, ham and cheese, fish and roast beef provide an average of 20% of Burger King's total sandwich sales.

Beef prices were admittedly on the rise, but the burger-buying public was apparently hungry for variety. "We found that consumers were open to new items," says Burger King official Donna Nicol-Guido. "It was a time they were substituting chicken and pork for hamburger at home."

The addition has several benefits, notes analyst Victor J. Raskin at Dean Witter Reynolds. "It's for variety, to increase traffic. It also makes the chains less beef-oriented and gives the customer an option within the store. If they don't have that alternative, they'll go someplace else."

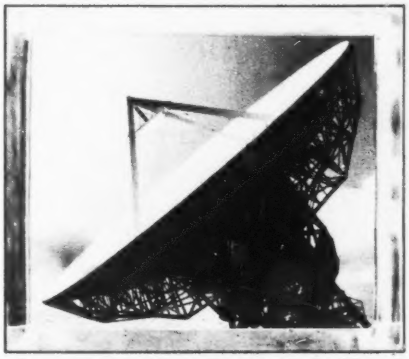
And, until it added chicken, they *had* been going someplace besides Wendy's. In 1979, average unit sales fell for the first time in the chain's ten-year history. Because of its minimalist menu—three types of hamburgers, fries, chili and a dairy dessert—the Ohio-based chain was severely exposed to beef price fluctuations, far more so than competitors who can shuffle price increases among a lot of items. Beef accounted for over half of its total food costs, and its cost per pound rose 79% between 1977 and 1979.

"We realized we had to come on stream with some new products," Wendy's President and CEO Robert Barney says. That happened last spring, as Wendy's introduced a salad bar and a chicken sandwich to 1,800 and 1,000 units respectively. The sandwich, with 3.5 ounces of white breast meat, sells for between $1.59 and $1.89, and has been accounting for between 8% and 10% of sales. Together, the two additions have helped Wendy's maintain its traffic and volume.

Meanwhile, McDonald's refuses to commit itself. It has been testing a McChicken Sandwich in some of its 5,100-plus domestic units since 1979. The Oak Brook, Ill. giant won't say when, if ever, the sandwich, which sells for around $1 in company-owned restaurants, will join the standard menu. Don't hold your breath, though: McDonald's has been tinkering with chicken in "just about every variation you can think of" for the past 12 years.—Van Wallach

Charles Ferris' FCC has redrawn the map of the communications industry. Will Reagan's man want to restore the old boundaries?

Telecommunications



I'M HOPEFUL NO ONE WILL BE ABLE TO UNSCRAMBLE the eggs," says Federal Communications Commission Chairman Charles D. Ferris. He's thinking aloud about Reagan's incoming Administration and the inevitable political appointees, one of whom will get his job. But he's also hopeful no one will want to undo what he has done.

"You're always going to be able to trim at the margin, slow it down or pollute a particular process. But I don't think anyone can justify abandoning our policies," adds Ferris

Of course, Ferris, a 47-year-old political appointee himself, has done precisely what he hopes his replacement will not—turned the telecommunications world on its head.

What makes Ferris think the new man won't be equally aggressive in another direction? The answer is that Ferris has been more of a Republican than a Republican might have been. "I believe in free enterprise. It works." That's from a liberal Democratic former chief counsel to the Senate Majority Leader who earned his political spurs during the days of the landmark civil rights acts.

"The FCC has injected itself too deeply into detailed decision-making. I don't know how to run the businesses of the thousands of licensees we regulate. I shouldn't participate in their decisions," he says. "We're not out of the game, however. We prescribe the perimeters of the playing field. We're the referee, dropping the yellow flag to call foul."

He'd do that if, say, AT&T, now free to enter the computer industry because the computer industry—and anyone else for that matter—can invade its turf, were to quash competition rather than compete fairly. The FCC decides what's fair. "That's the role we should have, rather than running interference. That's the proper role of government, of this agency."

That's a change from the past. But will it help the telecommunications industry, the consumer? Says Ferris: "I'm a liberal Democrat who believes in social justice. But, I know the strength of the profit motive. One should go with strengths, not weaknesses."

That benefits consumers too? "Oh, sure," says Ferris confidently. "If one can create an environment where the profit motive creates the greatest amount of service and product at the least expense, why not?"

It's a far cry from the FCC that Ferris inherited. After 15 years with Congress, Ferris had come down from the Hill in 1977, clutching a recommendation to Carter from all 100 senators and the Speaker of the House. Carter considered him for deputy Attorney General and the White House staff. Ferris wanted neither: "In a staff position you spend an awful lot of time chasing decision-makers. I'd rather be an executive and make decisions."

He was given the FCC. "I found a comfortable relationship between the industries we regulate and the commission. There had been a subtle capture of the agency by the companies in those industries."

Complains Ferris: "This place had been run by lawyers for decades. I peeled off the layers around their decisions and found a mushy core from the standpoint of policy." What did he do? "We're an economic regulatory agency," he explains, "so I more than doubled the number of economists, to about 100." He also set about changing the role of the FCC, breaking down the old barriers within telecommunications and opening the floodgates of competition on every aspect of communication, from satellite to television. "All the U.S. productivity increases will come from telecommunications," Ferris says. "It will greatly affect American productivity for decades. The competitive environment we're now creating will make us so

Telecommunications

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
United Telecom	17.8%	1	15.9%	1.0	6.7%	1	7.5%	8.9%	13.8%	2	9.1%	3
Central Tel & Utils	17.3	2	17.5	0.9	7.6	2	7.5	10.4	15.7	1	9.6	1
General Tel & Elec	14.4	3	9.9	0.9	5.3	4	7.0	4.6	11.7	4	7.6	4
Continental Tel	13.9	4	14.0	1.1	6.5	5	6.6	9.6	11.8	3	5.3	6
American Tel & Tel	12.7	5	12.8	0.7	7.1	3	7.2	12.1	11.6	5	9.2	2
So New England Tel	10.9	6	9.7	0.5	5.8	6	6.3	8.4	10.5	6	5.9	5
Western Union	4.5	7	4.9	0.9	5.0	7	4.7	4.9	7.0	7	0.7	7
Industry medians	**13.9**		**12.8**	**0.9**	**6.5**		**7.0**	**8.9**	**11.7**		**7.6**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

FCC Chairman Charles D. Ferris

"I believe in free enterprise. It works."

much more responsive. It's our society's lifeblood."

Ferris warms to this theme. The large tan chair he sits in, rather than on, is swiveling and bucking: "Let them all compete," he says, waving his hands. "If it means that some might not make it, well, it's a free enterprise business, that's what it's all about. Let's stand back and let a competitive environment see who wins."

That's what Ferris has done with AT&T. He has allowed companies into all aspects of Bell's business. MCI Communications, for instance, has muscled in on long-distance telephone calls. But such calls are made largely by business and the revenue goes toward subsidizing local calling, says Bell. So, quid pro quo, Bell has been allowed into the computer industry and other areas of communications (FORBES, *Sept. 15, 1980*). Comments Ferris: "That's great. To have AT&T up against the Exxons, the IBMs and Xerox is marvelous. It's going to create a more competitive environment."

Ferris has had his way and the telecommunications industry stands at what may be the dawn of a new age of profitability. And Congress isn't far from finally scrapping the old 1934 Communications Act with a new, flexible and forward-looking law. But don't hold your breath waiting.

"The public doesn't yet appreciate what we've done. Perhaps 20 years from now they might," says Ferris whimsically, referring to the increased access he's given minorities to television and radio and the social changes that will bring.

"You see," he says, "what we've done is contribute significantly to what U.S. society is going to be."—**Maurice Barnfather**

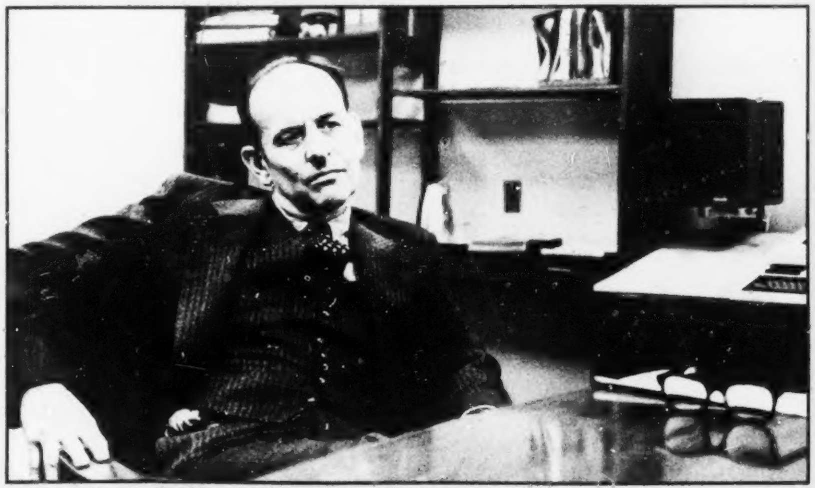
Catch 222

"Let them all compete," says FCC Chairman Charlie Ferris with a lordly wave of the hand, and indeed, he's done everything in his power to enable the telecommunications industry to do just that. Trouble is, there are limits to the power of even a federal bureaucrat, and in at least one case those limits have made for results quite different from what was intended. Just look at the sad state of poor old Western Union.

Under pre-Ferris rules, domestic and international telex communications were carefully segregated. The so-called international record carriers—primarily ITT, RCA, Western Union International (a Xerox subsidiary)— were granted oligopolistic control of the international telex business, while Western Union had a closely regulated monopoly over domestic business. Overseas transmission occurred via five "gateway" cities: New York, Washington, Miami, San Francisco, New Orleans. When a typical telex message went from, say, Chicago to London, Western Union got the toll from Chicago to New York and an IRC got the toll from New York to London. Everybody was happy.

Not anymore. The FCC decided to increase telex competition. In December 1979 the commission increased the number of gateway cities to 26 and granted Western Union permission to enter the international telex business. Section 222 of the Communications Act of 1934, however, specifically restricts Western Union to domestic "record" transmission, and so, in August a federal court struck down the FCC ruling. The upshot is that Western Union cannot operate overseas, whereas an IRC can now compete with Western Union domestically in offering service between the new gateway cities (at prices subsidized by international revenues) and can cut Western Union out completely on transmission from those gateways to overseas. Western Union doesn't get a penny on that typical Chicago-to-London telex anymore.

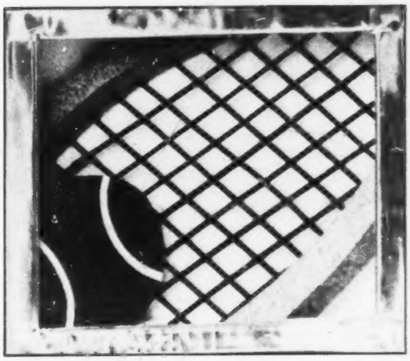
Not surprisingly, Western Union, which derived 38% of its 1979 revenues of $718 million from telex services, is upset. Says Chairman Bob Flanagan, "The situation cries out for relief. It's like asking someone to compete with Al Capone in the beverage business during Prohibition: Your competition is doing things that the law of the land says you can't. I'm too much of a patriot to believe it will continue."—Newcomb Stillwell



Western Union Chairman Robert M. Flanagan

How do you compete with Al Capone?

With home taping taking a deadly toll on the recorded music industry, retailers might end up switching to video accessories and allowing records to bite the dust.



Leisure

DESPITE INFLATION AND THE RECESSION, one 26-year-old, $30,000-a-year New York television spot salesman still eats out frequently, buys the latest men's fashions and rents a beachside cottage during the summer. But he's cut back on his record purchases: "Six bucks a pop is too expensive," he says. "I make tapes instead."

So does a growing portion of the U.S.' record-buying public. The sale of tape recorders has overtaken record players at many audio stores, and home recording has become a major discretionary dollar-saving device for millions of Americans. In response, retailers are now offsetting dwindling record sales with blank cassettes and video accessories.

Blank-tape aisle in New York record store
Little room left for the records.

A CBS Records study found that the record industry loses over $700 million in sales annually to home taping on blank cassettes. "We have not been successful, nor do we know exactly what to do to prevent home taping," admitted Walter Yetnikoff, president of CBS Records Group. "It remains a very serious problem. I think it's going to require congressional legislation before it can be dealt with effectively."

Add on at least $400 million in records pirated, counterfeited or otherwise diverted from normal channels every year, and you have a burden not even an industry as vigorous as the $3.7 billion record industry can sustain very long.

According to the Recording Industry Association and the National Association of Recording Merchandisers, unit sales of records reached an alltime high of 531 million in 1978, thanks largely to the unparalleled success of the *Saturday Night Fever* and *Grease* soundtracks. In 1979 unit sales fell to 502 million, and in 1980 may have dropped off another 5%. Which means that, excluding the expected surge in sales of Beatles and John Lennon records following his death late in the year, there were about 30 million fewer records sold in 1980 than in 1973. In the same period, the number of blank cassettes sold has more than doubled to over 250 million.

Home-taped copies of LPs are made from borrowed records or albums broadcast over the airwaves. Radio stations advertise the uninterrupted play of a soon-to-be-released recording, and home-taping enthusiasts tape the entire LP on one side of a 90-minute cassette. Half a high-quality tape costs about $2—a fraction of the cost of an $8.98 list-price disc. To make matters worse, the recorded cassettes most record companies market (about 15% of 1979 industry sales) are usually of a quality inferior to the cassettes made by most home tapers.

Airplay is essential to record sales, so the record companies couldn't simply cut back advances of new releases to stations. Instead, they tried to convince DJs not to play uninterrupted LPs. That didn't work, so last summer Arista, CBS, Chrysalis and Polygram announced they would not pay for retailer advertisements that appeared with ads for blank cassettes. The retailers went along, but consumers went on taping.

The industry then launched a $10 million "Give the Gift of Music" publicity campaign. Lackluster blank cassettes can't compete with shiny record jackets, so gifts—14% of record sales—have so far held their own against cassettes.

But the pinch was beginning to hurt, and early last year the major record companies unexpectedly changed their traditionally liberal 100% return policy (originally designed to encourage distributors and retailers to keep large inventories), and replaced it with a strict credit line and a new 20% return policy. Stores suddenly found themselves stuck with millions of dollars of unsalable, unreturnable inventories, and hundreds of small independent distributors were driven out of business. Norman D. Cooper, Inc., one of Philadelphia's largest independent distributors, found itself stuck with nearly $1 million of unmovable inventory. Two of its smaller competitors were forced to close. Now Cooper can only stock hit products. "I've lost accounts because I haven't been able to carry full-line inventory," says General Manager Steven Parelman.

Record sales would have been off twice as much as they were if the industry hadn't cut prices. CBS led the majors in reducing the list price of catalog items (past releases from hundreds of sure-sellers like Bob Dylan) from $7.98 to $5.98. According to CBS' Yetnikoff, this move increased catalog sales by over 400% and was a large factor in the CBS Group's successful 1980 results. The other major labels have followed suit.

Price reductions would probably have worked well for new products also. But the industry went ahead and increased list prices on most new releases from $7.98 to $8.98, making 1980 the fifth consecutive year of dollar increases. Some albums even list for $9.98, testing the waters for a 1981 price increase. But every increase almost certainly diverts even more consumers to the blank-tape aisles, where prices have been increasing at the negligible rate of 10 cents per year. A $9.98 list price, says John D'Antoni, record buyer for New York's discount retailing chain Disc-o-mat, "could definitely hurt the industry." D'Antoni estimates that unit record sales for the chain were down about 10% in 1980, but the loss had been compensated for by a similar increase in blank cassette sales.

So far the big record companies have managed to stave off

Leisure

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Travel												
Loews	23.8%	1	24.1%	0.7	11.8%	2	10.5%	5.0%	25.4%	1	27.6%	2
Hilton Hotels	23.1	2	26.3	0.3	20.5	1	16.3	19.1	5.0	5	29.6	1
Marriott	14.9	3	19.2	0.8	9.8	4	8.3	4.4	18.7	2	20.5	3
Holiday Inns	11.5	4	15.2	0.5	12.3	3	8.6	7.6	6.2	4	7.7	4
Ramada Inns	7.5	5	8.5	1.8	5.1	5	4.8	3.3	13.7	3	–0.2	5
Medians	**14.9**		**19.2**	**0.7**	**11.8**		**8.6**	**5.0**	**13.7**		**20.5**	
Entertainment												
Columbia Pictures	54.4%	1	24.6%	0.2	18.5%	1	21.0%	6.8%	15.7%	5	D–P	
Warner Communications	31.5	2	34.7	0.4	25.0	3	19.9	11.6	19.3	1	34.7%	2
Twentieth Century-Fox	25.6	3	20.7	0.4	15.9	4	18.9	6.9	18.7	2	38.3	1
MCA	21.7	4	17.8	0.0	15.8	2	20.1	10.6	16.3	4	21.6	3
General Cinema	19.6	5	17.3	1.1	11.2	5	12.8	3.5	17.1	3	16.2	5
Walt Disney	12.7	6	14.0	0.0	12.8	6	11.4	14.8	14.8	6	17.0	4
Medians	**23.7**		**19.3**	**0.3**	**15.9**		**19.4**	**8.8**	**16.7**		**21.6**	
Recreation												
Tandy	47.5%	1	43.5%	0.8	26.4%	2	27.1%	8.3%	25.6%	3	51.7%	2
Resorts Intl	38.8	2	22.7	0.4	16.2	1	29.8	14.0	39.9	1	93.9	1
Parker Pen	26.4	3	26.2	0.1	25.4	3	24.7	5.7	37.1	2	28.4	3
Mattel	24.2	4	14.1	0.8	10.8	5	17.7	3.6	14.3	10	D–P	
Bally Manufacturing	24.1	5	19.5	0.8	10.6	6	17.4	9.0	24.8	4	24.7	6
MGM Grand Hotels	23.8†	6	25.2	1.0	13.5		**	11.0	23.9‡‡	5	28.2‡‡	4
Milton Bradley	20.1	7	23.1	0.2	20.3	7	15.7	8.0	14.7	9	21.7	7
Eastman Kodak	19.3	8	21.2	0.0	20.1	4	18.2	12.4	12.2	12	8.7	11
Franklin Mint	18.7	9	18.3	0.2	14.7	8	15.2	6.1	17.8	7	8.1	12
American Greetings	14.5	10	13.8	0.4	10.0	11	10.9	5.9	11.7	13	10.7	9
AMF	13.1	11	12.9	0.4	9.7	14	9.3	3.5	7.2	17	0.5	15
Caesars World	13.0	12	34.9	2.2	17.1	16	7.4	6.5	23.2	6	27.5	5
Fleetwood Enterprises	12.0	13	def	0.0	def	9	12.0	def	16.0	8	5.6	13
Del E Webb	11.1	14	8.5	1.3	7.1	12	10.5	2.0	8.1	16	13.2	8
Skyline	11.1	15	4.3	0.0	4.3	10	11.1	1.7	3.5	18	–4.0	16
Brunswick	10.8	16	6.0	0.6	5.3	15	8.4	2.4	9.9	14	3.3	14
Polaroid	10.2	17	8.9	0.0	8.9	13	10.2	5.8	13.0	11	10.6	10
Outboard Marine	7.9	18	0.8	0.4	1.9	17	6.8	0.3	8.8	15	–4.7	17
Medians	**16.6**		**16.2**	**0.4**	**10.7**		**12.0**	**5.9**	**14.5**		**10.7**	
Food service												
McDonald's	24.7%	1	22.3%	1.0	12.0%	1	13.6%	10.0%	23.3%	3	24.1%	2
Denny's	21.7	2	12.7	1.7	7.3	3	12.9	2.4	24.3	2	23.2	3
Host International	20.5	3	19.2	0.8	12.2	2	13.0	4.1	12.6	5	20.8	4
Hardee's Food Systems	20.2	4	21.1	1.1	10.8	4	12.2	3.5	17.1	4	34.8	1
Gino's	4.9	5	def	4.1	1.9	5	5.7	def	11.7	6	–13.7	5
Sambo's Restaurants	def	6	def	3.9	def	6	4.4	def	25.7	1	P–D	6
Medians	**20.4**		**16.0**	**1.4**	**9.1**		**12.6**	**3.0**	**20.2**		**22.0**	
Industry medians	**19.6**		**18.3**	**0.5**	**11.8**		**12.5**	**5.8**	**16.0**		**20.5**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
†Four-year average ‡‡Three year growth. P-D: profit to deficit. D-P: deficit to profit; not ranked. def: deficit.
**Not available; not ranked.

the onslaught. Earnings at CBS Records were up about 25% in 1980; Warner Communications, Polygram and RCA kept earnings from their record businesses roughly on a par with 1979, and MCA had a large income increase reflecting its acquisition of ABC Records. But how long these kinds of results can last is anyone's guess.

The industry's distributors and retailers are not waiting around for congressional legislation or John Travolta to help ailing sales. They are keeping their eyes on the future and they're not looking at audio discs. They're looking at videotapes, video discs and electronic game cartridges, which carry much higher markups than records. For distributor Parelman, video accessories represented nearly 15% of his sales last year, up from nothing in 1979. Henry Brief, executive vice president of the International Tape/Disc Association, says that the sale of video cassette recorders (VCRs) probably topped 750,000 in 1980, up 58% over 1979, and should nearly double in 1981. At the same time, 1980 blank videotape sales were up 42%.

With record unit sales declining, the next new wave in the leisure industry promises to be electronic games, the hottest innovation since the invention of the phonograph disc. Atari, Inc. has increased Warner's consumer electronic and toy division revenues from $238 million in 1979 to about $400 million in 1980. The consumer buys a computer video system for $150, then cartridges of such games as Space Invaders and Asteroids at $20 a shot, to bring star wars into the living room. When he is bored with one game, he simply goes to the record store and buys another one.

For the future, says analyst David Londoner at Wertheim & Co., the major direction of the leisure industry is the move in prestige consumer durables toward home video durables: "I think what you see is the anxiousness of the American public to embrace this whole video technology and bring the screening room into the home."

For the record companies this may just be the handwriting on the wall.—**Jonathan Greenberg**

Too old to rock 'n' roll?

When the ultrapopular rock band, the Eagles, set out on tour last summer, they chartered a 727 for a month at $300,000, assembled a crew of 47 and stayed at the best hotels for $6,000 per day. Even adding in salaries, equipment and freight charges, the group's expenses probably didn't amount to half their revenues. That's because the Eagles were paid about $350,000 for every night they performed.

The Eagles are among a dwindling number of rock bands that can afford such extravaganzas. These days nearly 90% of the bands on tour fail to make money. Although hot groups still sell nearly as many tickets as ever, there aren't as many hot groups as there used to be, and soaring expenses are eating away at promoters' profits. "It used to be," says Larry Magid of Electric Factory Concerts, which handled about 300 concerts in 1980, "you would make a healthy profit on $85,000 for a concert. But now you can easily lose $20,000 to $25,000 if that's all the business you're generating."

Lead guitarist Glenn Frey of the Eagles
An endangered species?

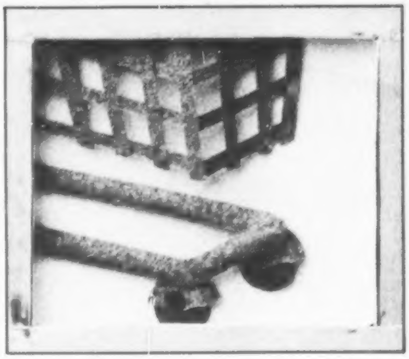
Until last year such losses were often subsidized by the record companies that contributed millions to touring groups in order to boost disc sales. But no more. Rock isn't selling the way it once did, so the companies have drastically reduced their support. According to the National Association of Recording Merchandisers, rock music dropped from 41.7% of record industry sales in 1978 to 37.4% in 1979, and lost a few more percentage points in 1980.

Rock isn't drawing the concert crowd either. Ticket prices are getting higher and audiences are getting younger, explains Stephen Bernstein, the 24-year-old president of Air Apparent, a Los Angeles-based concert tour company that handles travel arrangements for Fleetwood Mac and Diana Ross, among others. The record industry's decision to raise the price of new LPs even further won't help any either. "The average ticket costs $12. Added to an $8 record, that's $20 for a 15-year-old kid. So you're going to see fewer record sales and that means fewer concert tours, and less business for me."

Fewer rock concerts also means trouble for civic halls and arenas across the country, where municipalities have depended on rock concerts for a portion of their income. Now that such once-popular groups as Heart and Dave Mason fail to draw audiences, the concert halls are feeling the pinch. College audiences seem to offer little relief for the hard-pressed, marginally successful rock band. In 1979, when the Marshall Tucker Band played at the 7,000-seat Broome County Arena in upstate New York, the show was a sellout. A year later student promoters at the State University of New York at Binghamton thought the group would surely be worth the $30,000 it cost to have them perform, even at $10 a ticket. But like other college performances in Albany and Oswego, the concert was a dismal failure. Only 2,000 tickets were sold, and the school lost $12,000. David Wysnewski, a student-association president, said, "We've reached the point where every rock group is not going to sell out. So when the concert commission puts on a show they're going to have to think twice about who they invite."

Teenagers from the baby-boom years of the late Fifties have aged and been turned off by the large concert crowds and audiences disrupting shows, and the reverberations of that Cincinnati concert in which 11 Who fans were killed in a stampede still linger in people's memories. Rock just doesn't pull the way it used to. As Air Apparent's Bernstein admits, "People are tired of paying $18 to sit a mile away from the group they're seeing—they enjoy the intimacy of a smaller club more."—J.G.

Nowadays supermarkets have to be as responsive to change as a cigarette or beer company. But the changes come hard.



Supermarkets

TIME WAS WHEN BEING A STAR in the retail grocery business often seemed to involve little more than building a store in every bedroom community and keeping the shelves full—hardly an imaginative challenge. But that was before inflation ravaged food costs, shopping patterns changed and consumers began getting sophisticated. Gauging these changing conditions has become as critical to the supermarket industry as ratings are to prime-time TV. How fast a supermarket chain detects and responds to these evolutions, and at the same time adapts to crushing energy and labor costs, dictates the difference on the bottom line.

Take Kroger, for instance. The Cincinnati-based food retailing giant interviewed about 250,000 shoppers during the past couple of years, trying to find out what the evolving shopper is up to. Kroger has found what others are finding—that the era of moderate-size neighborhood food markets, patronized primarily by housewives, is long gone. Today's retailing unit is the 30,000-to-50,000-square-foot "superstore," which stocks everything from olives to oil filters and tries to appeal at the same time to a host of demographic groups.

Other hybrid store concepts are largely sideshows—the "box" store, for instance, like A&P's Plus or Grand Union's Basic Food Warehouse, a no-frills market with a relatively small number of high-volume items. An SRI International study considered the effects of 24 demographic, economic, social and psychological factors on various store formats, and determined the "superstore" concept is the mainstream of the Eighties.

Some of the nation's supermarket chains—Kroger, Lucky and Albertson's, for example—are pretty far down the path to converting to the modern everything-to-everybody superstores, which often have bakeries, delicatessens and even flower shops. But making this change isn't easy. It requires a whole new perspective, one that comes hard to supermarket managers accustomed to cramming groceries on the shelves.

The largest U.S. food chain, Safeway, is among those still caught in the changeover, and its effort to adapt illustrates the struggles ahead for others. At stake is half the space in the typical superstore, space dedicated to high-margin nonfoods that most supermarkets have no experience in selling.

"We've got to train our people to handle nonfoods," says Safeway's 38-year-old chairman, Peter Magowan. "When stocking food, you order in quantity and cram as much on the shelf as possible. But with nonfood, that can be a mistake. We've got to teach our buyers to order nonfoods more carefully, because the turnover isn't nearly as great as in food." Magowan continues, "We've also got to show our stockers how to display nonfood merchandise. Take cosmetics. You don't just put them on the shelf. They require good lighting, samples, tissue paper and a salesperson who can answer questions and give advice."

Training isn't easy, particularly for store managers weaned on merchandising flour, canned meat or pineapples, but without expertise in such things as flowers or wine. "Today our store managers have to field questions about flowers," Magowan says. "Which ones need how much water and how much light." What do you do when a store manager is suddenly supposed to know something about wine? "We regularly invite our managers to wine tastings," Magowan smiles.

As if these changes aren't enough to worry about, Safeway and every supermarket chain are fighting the crosscurrents of altered buying habits. Store hours are growing longer, for instance, because working women tend to shop in the early morning or evening hours, unlike the housewives who shopped in the daytime. There is also a handful of other demographic groups developing, each with its own demands and buying habits—single men, health-food devotees, senior citizens, ethnic groups and working couples.

Trading down

When food inflation accelerates, retailers begin wringing their hands because shoppers start "trading down," substituting $3 in chicken, say, for $10 in T-bone steaks. Since margins are about the same on chicken and steak, the sales drop is bad news for retailers.

And the news really is as bad as it seems. Within the next few months, many food items will be heading into just such a period of rampant inflation. USDA forecasts a 28% increase in the price of pork, 22% in sugar, 18% in poultry, 1[illegible]% in eggs and 14% in beef. Overall USDA expects an inflation rate of 10% to 15%, the result of an unprecedented foreign demand for U.S. grain crops and smaller crops stunted by last year's drought in the Midwest.

Shoppers, however, "trade down" from the inflation leaders, says Kroger President Lyle Everingham, so that the "real" food inflation rate will run about 6% to 8%. "Trading down, for instance, hurts when shoppers begin trading out of packaged convenience foods, with their built-in high margins," says Lucky Stores President Don Ritchey, "and into more basic items for preparing meals from scratch."

Although no food retailer would deny that trading down pinches profits, there are some benefits nonetheless. During high inflation, shoppers traditionally have traded down from national brands to house brands, which carry fatter margins. But here's what's new. Superstores, with their major commitment to nongrocery offerings, present opportunities for a chain to capitalize on trading down from one retailer to another.

Kroger is finding that, instead of buying fried chicken from Colonel Sanders, patrons are buying chicken from Kroger's fast foods sections. And rather than buy from a florist, Kroger's customers purchase more flowers from Kroger. Lucky's Ritchey notes customers are trading away from outside specialty stores and buying more of their general merchandise from Lucky supermarkets. Even high gas prices are helping superstores, which cater to one-stop shopping. Though food inflation is a dark cloud indeed, superstores are finding something of a silver lining.—J.M.

In adapting to these shifting needs, food chains are also facing soaring energy and labor costs. Lucky President Don Ritchey says utility bills in some of Lucky's 300-plus supermarkets are running higher than rent, up to $350 a day in some places. As expensive energy-saving devices have been added to the stores, Lucky's energy usage has dropped 15% to 30%, but there's still room for improvement in the industry.

Labor costs are something else. Most of the big chains' labor contracts are tied to various cost-of-living-allowance (COLA) provisions. The effect is to tie labor costs to inflation, leaving one to feed off the other. And because the cost-of-living index overstates inflation in certain ways, the chains' labor rates are driven higher. Says Magowan, "We're seeing contracts which cover three years and increases of up to 40%. That's terrible. I don't know what we're going to do about this." For food chains, it's tough sledding ahead.—**John Merwin**

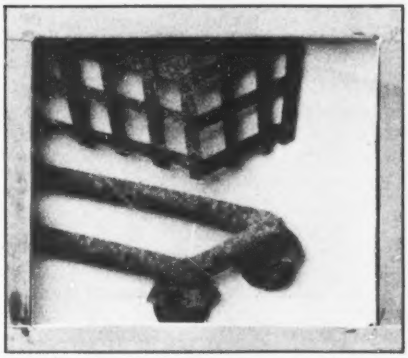
Supermarkets

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Major chains												
Lucky Stores	24.5%	1	22.2%	0.7	13.6%	2	15.2%	1.5%	15.3%	2	11.6%	4
Winn-Dixie Stores	20.7	2	18.3	0.2	15.7	1	18.4	1.6	15.0	3	11.6	5
Supermarkets General	19.3	3	19.0	1.6	10.3	4	9.9	1.0	9.6	6	24.3	1
Southland	15.8	4	14.2	1.1	8.2	5	9.9	1.6	17.9	1	15.3	3
Kroger	14.5	5	15.1	0.5	10.2	3	10.2	0.9	12.6	4	18.0	2
Safeway Stores	13.8	6	11.3	1.0	7.5	6	9.4	0.8	11.6	5	4.5	8
Jewel Companies	12.5	7	14.7	0.7	9.2	7	8.1	1.4	8.8	8	7.8	7
Stop & Shop	12.0	8	7.7	1.3	7.1	8	7.5	0.8	9.3	7	8.0	6
National Tea	1.2	9	11.2	1.2	7.2	9	1.1	0.7	–6.9	12	D–D	10
Great Atl & Pac Tea	def	10	def	0.9	def	10	def	def	2.0	9	D–D	10
Food Fair	def†	11	NE	NE	39.6	11	def	1.2	–1.0	10	P–D	9
Allied Supermarkets	def†	12	NE	NE	8.8	12	def	0.4	–5.9	11	D–D	10
Medians	**13.2**		**14.5**	**1.1**	**9.0**		**8.8**	**1.0**	**9.5**		**7.9**	
Regional chains												
Food Town Stores	35.0%	1	31.0%	0.2	24.7%	1	29.3%	2.8%	33.4%	2	35.9%	3
Bruno's	25.9	2	29.4	0.5	19.4	5	16.6	1.9	23.5	4	30.3	4
Dillon Companies	24.4	3	18.4	0.6	11.9	3	18.9	1.3	20.4	6	19.1	10
Niagara Frontier Services	24.4	4	18.3	0.9	11.9	4	18.1	1.7	24.7	3	22.6	8
Albertson's	23.6	5	20.7	1.2	12.1	9	13.8	1.3	20.4	7	21.1	9
Natl Convenience Strs	23.6	6	29.0	1.6	11.4	7	14.0	1.8	18.9	9	26.4	7
Big V Supermarkets	23.1	7	21.5	0.7	14.0	6	15.3	1.2	23.0	5	29.1	5
Circle K	21.2	8	30.1	0.9	16.9	8	14.0	2.9	19.5	8	17.1	12
Weis Markets	20.6	9	19.3	0.0	19.4	2	20.6	4.7	13.4	16	16.1	14
Cullum Companies	18.8	10	22.7	1.0	13.0	14	10.6	1.3	18.8	10	28.7	6
Seaway Food Town	16.7	11	17.7	1.1	10.2	12	11.0	1.3	13.4	17	16.6	13
Marsh Supermarkets	16.6	12	15.8	1.4	8.5	18	10.4	0.9	11.4	22	17.4	11
Fred Meyer	16.4	13	12.3	0.7	7.9	13	10.8	1.7	15.9	12	15.5	15
Hannaford Bros	16.1	14	16.3	1.6	8.8	15	10.6	0.9	13.3	18	10.8	21
Penn Traffic	15.8	15	14.7	0.5	11.0	10	12.9	1.6	17.7	11	15.0	17
Giant Food	15.4	16	12.6	0.8	8.6	20	10.1	1.1	10.2	23	12.3	20
Godfrey	15.1	17	13.9	0.8	9.5	19	10.1	0.9	12.0	20	13.1	19
Pneumo	14.9	18	15.9	1.2	9.0	11	11.2	1.3	14.7	13	42.2	1
Ruddick	14.3	19	15.5	1.1	9.7	21	9.9	1.7	12.4	19	36.7	2
Waldbaum	13.6	20	13.1	0.9	8.5	22	9.8	0.7	14.2	14	13.7	18
First Natl Supermkts	12.9††	21	14.6	2.4	8.3	17	10.4††	0.5	41.5‡	1	–2.2‡	23
Thriftimart	12.7	22	14.6	0.2	12.5	16	10.6	1.4	5.8	27	D–P	
King Kullen Grocery	7.9	23	3.3	0.0	3.3	23	7.5	0.2	14.1	15	8.8	22
Foodarama Supermkts	7.2	24	def	0.4	def	24	6.9	def	5.3	28	D–P	
Fisher Foods	6.0	25	3.8	1.5	4.1	25	4.9	0.2	9.5	24	–14.8	24
Borman's	5.0	26	def	1.2	1.6	26	4.5	0.0	11.6	21	D–P	
Shopwell	4.1	27	6.4	1.4	5.1	27	3.8	0.4	7.8	26	15.4	16
Pueblo International	2.2	28	11.8	1.1	8.1	30	2.3	1.1	–7.5	30	P–D	26
Munford	2.1	29	3.0	1.6	4.1	28	3.6	0.4	9.1	25	–27.9	25
Arden Group	def	30	14.9	1.3	8.0	29	3.2	0.8	–7.0	29	D–P	
Medians	**15.6**		**15.2**	**1.0**	**9.3**		**10.6**	**1.3**	**13.8**		**16.4**	
Industry medians	**15.0**		**14.8**	**1.0**	**9.1**		**10.2**	**1.2**	**13.0**		**15.2**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
†Four-year average. ††Three-year average. ‡Four-year growth. P-D: profit to deficit. D-D: deficit to deficit. D-P: deficit to profit; not ranked. def: deficit. NE: negative equity.

America's top independent food distributors are almost alone among U.S. businesses in finding inflation working to their advantage.



Wholesalers

NOW HERE'S SOME NEWS. Inflation, which is gnawing away at most links in the nation's farm-to-home food chain, in certain ways is actually helping the biggest and best independent food wholesalers. The winners are Big Board firms like Fleming and Malone & Hyde. These low-profile companies compete indirectly with chains like Safeway, Kroger and A&P. Like the major supermarket chains, independent food wholesalers buy groceries from such manufacturers as General Mills or Procter & Gamble, but then, instead of distributing them to thousands of neighborhood Safeways, Krogers or A&Ps, they sell them to the nation's 116,000 independent grocery stores.

Perverse as it may sound, to some such companies inflation does little damage and in a couple of ways can be beneficial. First, it's forcing smaller, competing wholesalers out of business, causing them either to sell out to such top wholesalers as Fleming, Super Valu or Malone & Hyde or simply to close down and leave their territory up for grabs. The reasons are clear. The big wholesalers have the financial muscle to cope with inflation by building huge, low-cost warehouses. Their smaller competitors don't.

The problem isn't the inflation in food costs. Although food costs have been inflating at a 10% clip much of the last two years, wholesalers generally don't worry too much about it; they pass that inflation directly along to retailers Thus, because a food wholesaler's revenues are derived almost exclusively from food sales, if food prices go up 10%, so too will the wholesaler's revenues. But if overall expenses, which are tied not only to food inventory purchases but also to labor, leases and a host of other factors, rise less than 10%, a wholesaler's revenue growth outstrips his expense increase. Recently that's exactly what's been happening, and more of the same seems in store because the U.S. Department of Agriculture is forecasting a 10% to 15% food inflation rate this year.

Which is where those huge warehouses come in. Fleming, for example, added a Rapistan mechanized system to its mammoth Oklahoma City distribution center. The system enables an employee to pluck a box of food off a Fleming shelf and drop it onto a conveyor belt, which carries the box on a programmed trip, combining it with the other boxes of food scheduled for a particular truck and a particular customer parked at the loading dock. Through this, through other automation improvements and employee motivation programs, Fleming raised its warehouse productivity 6.7% in the first nine months of 1980. It is worth noting that some of its biggest gains came in work areas with little mechanization, meaning

Deregulation repercussions

Whatever else it does for the transportation economy, truck deregulation—effected last autumn in the Motor Carrier Act of 1980—is likely to have a major impact on the U.S. distribution system. Forget rates. Under deregulation, the FTC will permit private carriers to solicit backhaul traffic for the first time in nearly 50 years. Until now, a food wholesaler, for example, was permitted to deliver food from its warehouses to its grocery store customers in its own trucks but, to protect the franchise of the common carriers, the truck generally returned to the warehouse empty. Now, after dropping its load off at a grocery store, a wholesaler's truck will be able to stop off at one of its suppliers, load up with a shipment of Tide, Wheaties or whatever and haul it back to the warehouse for redistribution to the wholesaler's customers.

In the past, the manufacturers have never had much enthusiasm for backhauling. They have always preferred shipping their goods by common carrier at their convenience, rather than having to coordinate their operations with the trucking schedules of dozens of big customers. But that's only the half of it. The fact is, when backhauling becomes common practice, the manufacturers' uniform price structure will collapse.

Traditionally, a box of Tide, for instance, retails at the same price in Cleveland as it has in Phoenix, though obviously it costs Procter & Gamble more to ship to Phoenix from Cincinnati, for example, than it does to ship to Cleveland. P&G and most other manufacturers have been willing to settle for thinner margins in some places, fatter ones in others, simply to maintain uniform prices coast to coast. But all that ends if backhauling becomes widespread. Food distributors picking up Tide themselves will receive a backhaul allowance—a discount to compensate them for the freight charges P&G doesn't have to pay. That allowance will vary according to the customer's location and eventually will find its way into the selling price.

In effect, backhauling should serve to reduce the private carrier's fuel costs as well. According to a study made by Super Valu Senior Vice President John Morrissey, private truck operations run empty 29% of the time. If the trucks always ran fully loaded, Morrissey calculated, a wholesaler could indirectly cut his fuel bills by maybe a third. For a wholesaler like Fleming, which has a fuel bill of $6 million a year, the impact could be considerable. And Fleming's potential is nothing beside that of Safeway, whose giant in-house distribution operation has a fuel bill of around $30 million annually.

This year Fleming, for instance, will receive 22% of its merchandise by backhauling. By 1985 the company hopes to boost that to 30%-to-35%, a considerable increase seeing that about 40% of Fleming's merchandise now arrives by rail where no backhauling is available. There's another advantage: As diesel fuel costs spiraled after 1974, distant markets have become increasingly unprofitable. "We used to be able to service stores 200 to 250 miles away," says Super Valu President Michael Wright. "But if the truck came back empty, it was hard to make a profit. Now, if our truck comes back full, we can."—J.M.

programs to decrease absenteeism, say, are working. That is good management. For the industry as a whole in that period, productivity was roughly flat. That's why major companies like Fleming are enjoying sharp earnings gains and market multiples of 8 to 11 times earnings, far better than Safeway, Kroger or other major chains in the food business.

"Several years ago we recognized that from a retail standpoint, grocery sales weren't going to grow much, because the population growth is flattening," says Fleming President Richard Harrison. "So we looked for growth by making big capital investments in warehouse productivity."

Not only are small wholesalers getting out of the distribution business, so too are some of the moderate-size chains that have been operating their own distribution systems. "Some of these regional grocery chains are finding they can get a better return on capital in the retailing side of their business," argues Super Valu President Michael Wright. "So they're closing warehouse operations that have been keeping dollars tied up in the back of the stores, instead of up front where retailers' dollars really belong."

Distributors have yet another advantage in times of high inflation and high-cost money. Check any distributor's balance sheet and you'll see the edge—his payables are often 2 or 3 times larger than his receivables. That's because grocers are paying food wholesalers in a few days, while the wholesaler in turn waits ten days, and sometimes longer, to pay food manufacturers. Look at Fleming's most recent quarterly report. It shows $127 million in payables and $44 million in receivables. Thus Fleming is living off $83 million in its creditors' money. Not bad when the prime rate is hovering around 20%.

While inflation is strengthening the independent wholesalers' position, their recent sharp earnings gains—27% at Fleming and at Malone & Hyde, 17% at Super Valu—aren't attributable to luck alone. About half of the grocery sales in America come from independent grocers, anything from a one-store location to a small regional chain. If these independent grocers do well, so do the independent wholesalers who supply them.

At the moment, they're doing nicely. "There's a certain amount of intensity an owner-operator brings to a store, which a chain manager may not," says Super Valu's Wright. "The independents are buying up closed chain-store locations," he notes, "sometimes doubling the old store's sales."

Independent grocers don't have the support mechanisms that chain stores do, anything from helping choose a new location to financing the building and fixtures. So the strongest independent wholesalers provide them instead—lease guarantees, fixture financing or real estate expertise. Fleming, for instance, signs store leases and then sublets to an independent owner-operator. Super Valu has $76 million outstanding in lease guarantees and another $20 million in equipment loans to its independent customers, seed money that later will result in handsome rewards for Super Valu.

Heading into 1981, the best-entrenched food wholesalers are sitting in the catbird seat. Inflation is on their side, heavy capital investment is generating big productivity increases and the independent wholesaler's customer, the store owner-operator, is doing well. In trying times, those are nice fundamentals.—**John Merwin**

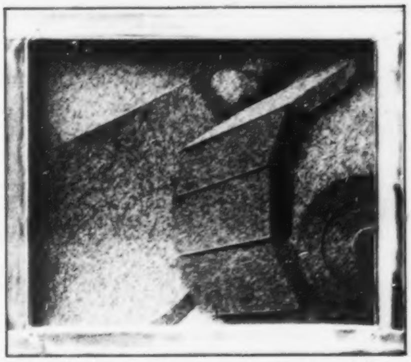
Wholesalers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Food distributors												
Super Valu Stores	28.2%	**1**	26.8%	0.6	18.1%	**1**	18.6%	1.3%	16.0%	**8**	25.6%	**1**
Farm House Foods	20.7	**2**	17.8	2.2	8.6	**8**	9.7	0.4	28.2	**1**	19.8	**2**
Malone & Hyde	19.7	**3**	18.8	0.6	14.2	**2**	17.0	1.4	17.4	**5**	15.5	**4**
Fleming Companies	17.7	**4**	18.2	0.7	12.5	**6**	12.7	0.7	15.8	**9**	11.5	**8**
Sysco	17.0	**5**	18.4	0.4	14.0	**5**	12.8	1.7	19.0	**2**	15.6	**3**
Wetterau	16.6	**6**	16.1	0.4	12.3	**4**	12.8	1.1	12.7	**11**	9.2	**10**
Nash Finch	16.0	**7**	12.7	0.4	10.2	**3**	13.4	0.9	14.7	**10**	10.2	**9**
Super Food Services	15.0	**8**	12.4	0.9	8.4	**9**	9.6	0.3	17.7	**3**	12.6	**7**
Flickinger	14.8	**9**	15.4	0.4	12.7	**7**	12.6	0.7	17.2	**6**	13.2	**6**
Pac Gamble Robinson	11.8	**10**	9.9	0.6	7.2	**10**	9.6	0.7	9.6	**14**	3.5	**12**
CFS Continental	9.4	**11**	11.1	0.6	8.1	**11**	7.2	1.1	17.5	**4**	0.9	**13**
Di Giorgio	9.3	**12**	8.1	0.9	5.8	**12**	6.8	1.0	11.4	**13**	14.3	**5**
Cal-Maine Foods	7.3	**13**	def	1.2	def	**14**	5.0	def	16.3	**7**	7.2	**11**
Coca-Cola Bottling NY	5.8	**14**	def	0.6	def	**13**	5.6	def	11.5	**12**	–10.1	**14**
Scot Lad Foods	def	**15**	12.5	1.3	7.6	**15**	0.7	0.5	3.2	**15**	P–D	**15**
Medians	**15.0**		**12.7**	**0.6**	**8.6**		**9.7**	**0.7**	**16.0**		**11.5**	
Other wholesalers												
Lowe's Companies	18.9%	**1**	12.4%	0.4	10.4%	**2**	14.6%	2.3%	17.2%	**1**	12.0%	**4**
Universal Leaf	17.8	**2**	18.8	0.4	15.7	**1**	16.0	2.6	8.5	**6**	17.6	**2**
Foremost-McKesson	16.8	**3**	15.2	0.6	9.9	**4**	9.6	1.6	8.5	**5**	9.2	**5**
Amer Hospital Supply	15.2	**4**	16.5	0.3	13.7	**3**	12.9	5.7	16.0	**2**	16.2	**3**
Univar	12.3	**5**	16.8	1.0	11.1	**6**	8.3	1.6	13.0	**3**	3.3	**6**
Bergen Brunswig	10.5	**6**	18.8	0.5	14.5	**5**	8.7	1.4	12.8	**4**	59.0	**1**
Medians	**16.0**		**16.7**	**0.5**	**12.4**		**11.3**	**2.0**	**12.9**		**14.1**	
Industry medians	**15.2**		**15.4**	**0.6**	**10.4**		**9.7**	**1.1**	**15.8**		**12.0**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

The shape of the American home is changing and, with it, the materials to build the less spacious but more costly homes of tomorrow.



Building materials

WITH HOME-BUILDING IN THE WORST SLUMP in five years and any improvement this year highly uncertain, building materials manufacturers are barely eking out a living. William D. Herbert, 60, is senior vice president of Jim Walter Corp., the Tampa, Fla.-based company that produces the nation's broadest line of building materials and builds homes as well. He is also president of Jim Walter's biggest single subsidiary, Celotex, which sells insulation materials, gypsum wallboard, hardboard siding and roofing material. So FORBES asked Herbert, a marketing man by training, to look a bit further into the future for trends in home-building that would have a bearing on his industry.

Despite all the talk about how housing is becoming too high priced for more and more home buyers, it seems that in actuality the quality of homes has been rising, floor areas getting larger and more amenities being added like fireplaces or central air-conditioning. What ever happened to the "no-frills" home that was going to provide affordable housing?

The "no-frills" home was the classic case of the dog-food manufacturer who developed the finest, most nutritious dog food in the world, but the dogs didn't like it. The buyers didn't like no-frills houses. There's still that element of pride in owning a home and having the same amenities as your neighbors and friends. At Jim Walter's home-building division a high proportion of our customers used to want a shell home (with minimum amenities) that the buyer could finish himself. Now it's the other way. A very high proportion of the homes we are now building are completely finished and actually bigger. That may change, but it hasn't yet.

The only housing segment doing well right now is multifamily construction. Is this the beginning of that change you mentioned?

We expect all houses to begin getting smaller simply because of the economics. Land costs are getting higher so you need more housing units per acre. The day that the average family could afford a four-bedroom 3½-bath house is nearly over. And yes, you will be seeing more attached houses, condominiums, duplexes, town houses. I wouldn't be surprised to see row houses, like those built back in the 1920s and 1930s, make a comeback, hopefully with more individuality than they had in those days.

How will this affect companies like yours that supply building materials?

Well, we will be selling less roofing, for example, because units will be smaller, but what we do sell will be heavier, of a higher quality. In certain areas, paint has gotten to be a real problem and people are tired of paying to have a house repainted every few years. So they are putting on vinyl siding instead, which lasts for 15 years. We think builders will be using less glass, because those houses and office buildings that are virtually built of glass are impossible to insulate. We don't expect any radical changes in construction in the next decade. People aren't going to decide to live in a cement igloo or an earth house. But there will be innovations and improvements in construction, particularly in energy conservation.

Are buyers becoming more concerned about the quality of materials that go into their homes?

Oh, yes, and again particularly in energy conservation. When your air-conditioning bill runs higher than the monthly mortgage payment, you get concerned about insulation. In the past, the consumer didn't know what materials were used in his house. As long as it had an acceptable kitchen, enough room for the kids and the price was right, he bought it. In the future the buyer is going to be more discriminating, more inquisitive of the builder about what materials he is using in the house. People will begin to ask for certain kinds of insulation and other materials by name.

Remodeling older homes, all the way from putting in more insulation to adding an extra room, has been a strong business for several years. Will it continue to be good business?

We sell building materials to subcontractors and mass merchandisers through wholesalers like Wickes or Moore's, who can go either way. Right now, they're going to the consumer. If it weren't for the remodeling market, we'd be destitute under present conditions. Not only is this a strong market now, but it

Jim Walter corporation

William Herbert, president of Jim Walter's Celotex subsidiary
Consumers are getting smarter about how houses are built.

looks good for the future. We had a consulting group talk to our marketing people and they're predicting that renovation is going to grow at a fantastic rate—14%—during the next ten years. With the cost of new housing today it really does pay to add an extra room. You can only go so long without a new roof before the water starts coming in. In our roofing business, 80% to 85% of our sales are ending up in reroofing residential and nonresidential buildings now.

What is going to happen with new home-building?

We know that the demographics say there is beginning to be a pent-up demand for housing, whether it's an attached house or a detached single-family house, as soon as the financing is such that buyers can handle it. What happens absolutely depends on Washington. If interest rates are 10% or less, you'll see as many as 2.5 million starts through the 1980s. At 12% to 14% maybe 1.5 million to 1.75 million. Over 16%, maybe half a million and those will be bought with cash. But people will have to get used to spending more money—or a higher percentage of their income—on shelter than they have in the past. If you look around at other countries, particularly Europe, you find that the share of income going to shelter is up to 50%. I don't know if we'll get to 50% but we're definitely going to have to pay more of our income for shelter than we have in the past.—**Kathleen K. Wiegner**

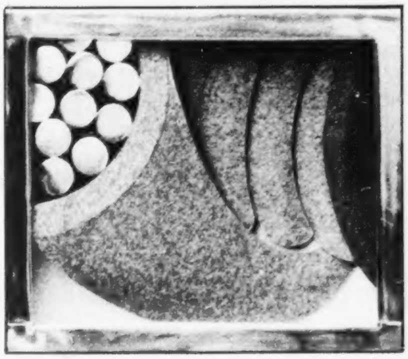
Building materials

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Lumber												
Willamette Inds	19.3%	**1**	17.3%	0.3	13.2%	**1**	13.7%	7.3%	18.6%	**2**	14.5%	**3**
Georgia-Pacific	18.0	**2**	12.7	0.5	7.5	**4**	10.9	4.9	16.2	**3**	13.9	**4**
Weyerhaeuser	17.7	**3**	14.3	0.5	10.5	**2**	12.3	8.5	13.1	**4**	12.0	**6**
Louisiana-Pacific	17.2	**4**	10.9	0.3	7.7	**3**	11.2	5.8	23.0	**1**	13.1	**5**
Champion Intl	15.3	**5**	11.3	0.5	7.6	**6**	9.0	4.6	9.8	**8**	10.5	**7**
Boise Cascade	13.2	**6**	11.4	0.5	7.9	**5**	9.7	4.5	12.1	**6**	134.1	**1**
Southwest Forest Inds	12.5	**7**	12.4	1.0	8.0	**7**	8.2	4.1	11.7	**7**	14.8	**2**
Edward Hines Lumber	7.2	**8**	def	0.2	def	**8**	7.0	def	12.3	**5**	0.7	**8**
Medians	**16.3**		**11.9**	**0.5**	**7.8**		**10.3**	**4.8**	**12.7**		**13.5**	
Cement and gypsum												
Ideal Basic Inds	17.9%	**1**	19.9%	0.5	11.3%	**1**	12.4%	14.8%	11.5%	**3**	15.3%	**2**
United States Gypsum	16.1	**2**	15.2	0.2	11.5	**2**	11.9	6.3	12.4	**2**	17.6	**1**
Lone Star Industries	14.6	**3**	16.1	0.4	10.9	**4**	9.7	6.7	9.3	**4**	14.5	**3**
National Gypsum	13.6	**4**	12.8	0.3	9.9	**3**	10.5	7.0	8.4	**5**	14.3	**4**
Gifford-Hill	13.5	**5**	9.7	1.7	4.1	**5**	9.6	2.9	15.9	**1**	11.2	**5**
Penn-Dixie Inds	def	**6**	def	0.8	def	**6**	def	def	4.1	**6**	P–D	**6**
Medians	**14.1**		**14.0**	**0.5**	**10.4**		**10.1**	**6.5**	**10.4**		**14.4**	
Other building materials												
Evans Products	18.9%	**1**	15.1%	0.7	10.4%	**4**	11.9%	3.2%	4.5%	**14**	43.2%	**1**
Owens-Corning Fbrgls	18.2	**2**	8.3	0.3	6.7	**1**	13.8	2.7	20.0	**1**	20.9	**2**
Jim Walter	15.6	**3**	11.3	0.7	7.9	**8**	9.9	3.8	10.2	**7**	9.4	**9**
Masonite	14.8	**4**	11.5	0.0	10.0	**2**	12.8	5.9	11.6	**6**	11.0	**7**
PPG Industries	14.3	**5**	14.7	0.4	11.0	**7**	10.7	6.3	12.1	**5**	13.7	**4**
H H Robertson	13.6	**6**	17.7	0.4	13.3	**6**	10.7	3.0	7.2	**10**	11.5	**6**
Bird & Son	13.4	**7**	0.5	0.0	0.4	**3**	12.4	0.2	15.2	**2**	2.3	**12**
DeSoto	13.3	**8**	13.5	0.3	10.9	**5**	10.8	3.8	5.7	**13**	20.5	**3**
Certain-teed	12.6	**9**	0.2	0.4	2.4	**9**	9.6	0.6	12.5	**4**	10.7	**8**
Interpace	12.4	**10**	8.7	0.3	7.0	**12**	8.4	3.6	6.4	**12**	13.4	**5**
Johns-Manville	11.5	**11**	6.4	0.4	5.7	**10**	8.8	3.6	14.4	**3**	8.8	**10**
Armstrong World Inds	10.6	**12**	8.7	0.2	7.4	**11**	8.6	3.7	9.5	**8**	5.8	**11**
Ceco	8.4	**13**	15.6	0.3	12.5	**13**	7.1	3.7	6.8	**11**	–2.9	**13**
Sherwin-Williams	4.3	**14**	10.0	1.0	5.9	**14**	3.7	2.1	9.2	**9**	–12.2	**14**
Medians	**13.4**		**10.7**	**0.4**	**7.7**		**10.3**	**3.6**	**9.9**		**10.9**	
Building equipment												
Dover	25.8%	**1**	28.0%	0.1	23.9%	**1**	21.7%	8.7%	16.0%	**2**	21.3%	**3**
Masco	24.7	**2**	24.0	1.1	12.9	**4**	15.9	9.9	24.0	**1**	21.3	**2**
American Standard	24.1	**3**	27.4	0.4	20.0	**3**	16.7	5.7	6.6	**6**	101.5	**1**
Norris Industries	19.3	**4**	9.5	0.1	9.1	**2**	17.4	3.9	10.7	**5**	14.2	**5**
Butler Manufacturing	16.5	**5**	12.7	0.2	10.7	**5**	13.8	4.3	12.4	**3**	11.4	**6**
Trane	13.2	**6**	16.0	0.2	13.2	**6**	10.8	4.8	12.0	**4**	14.2	**4**
Medians	**21.7**		**20.0**	**0.2**	**13.1**		**16.3**	**5.3**	**12.2**		**17.8**	
Industry medians	**14.5**		**12.6**	**0.4**	**9.5**		**10.8**	**4.2**	**11.9**		**13.6**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

For the copper industry, prices just aren't high enough to finance its expansion. The industry needs maybe $1.75 a pound to pay for the capacity its customers will need for the future.



Copper

"PEOPLE NEW TO THE INDUSTRY tell us what a fine year we had in 1979," says George Munroe, chairman of Phelps Dodge Corp., the nation's number two copper producer. "Well, in 1979 Phelps Dodge earned 11% on stockholders' equity. That's not so good in a year when you had 11% inflation, is it? The copper industry went through a whole business cycle—from the peak of 1974 to the peak of 1979—without really participating until the tail end. So all we got was a little fillip; then the economy took a nose dive. We have a long way to go before profits are even respectable."

The industry finally began making reasonably good money in 1979, only to see the upturn aborted by a three-month strike and a recession. In 1980 Kennecott, Phelps Dodge and ASARCO slipped back. Only Newmont, thanks to its gold production, managed to top its 1979 record.

In 1981 copper's profitability mostly will depend on the pricing of those speculation-prone by-products—gold, silver, molybdenum—and the speed with which the U.S. economy recovers from its latest recession. As a result of these uncertainties, estimates on the average price of copper in 1981 range from 85 cents all the way to $1.10, *vs.* $1.00 last year. According to J. Clarence Morrison, metals analyst for Dean Witter Reynolds, a dime swing up or down could affect earnings by as much as 40%. Every penny per pound change, he figures, amounts to 15 cents a share for Kennecott, 16 for ASARCO, 12 for Newmont and 20 for Phelps Dodge.

There's more to the importance of the copper price, though, than its short-term impact on profits. Since 1971 the cost of building a fully integrated operation—mine, refinery and smelter—has risen from about $3,400 per ton of capacity to $8,000 or so. (Abroad, some estimate, it's more than $10,000.) To justify any new expansion, then, and still have those facilities meet the industry goal of a 15% return on investment, producers need far higher prices than they've gotten in years. Says Munroe: "It not only means betting several hundred million dollars that in three or four years the price will be substantially more than it is now, but that it at least will hold there as well. It takes a brave man to plug that kind of money into a $1 copper market when he needs $1.75 to make it go."

Munroe and the rest are hesitant because of the overcapacity and depressed earnings that resulted the last time they went on an expansion binge. Between 1970 and 1975, for instance, Phelps Dodge and Kennecott spent about $1 billion apiece. "In the first half of the Seventies," says Munroe, "we were the principal expander of U.S. production. Between that, putting sulfuric acid plants on our smelters and building new ones, we pretty much used up our financial muscle."

Fortunately for the industry, delaying any decisions to expand shouldn't cause a problem in the early Eighties. K.C. Hendrick, head of sales for Noranda Mines Ltd., estimates that by 1984 Free World mine production will increase to 7.3 million tons, up 2.2% a year from its 1977 peak. Though Hendrick expects refined consumption to reach 8.3 million tons, copper supplies will nevertheless be adequate, the difference being made up by scrap, which provided an average 36% of available supplies during the Seventies. Once the current recession ends, then, there ought to be a reasonable balance of supply and demand for a few years and a welcome run of steadier profits for copper producers.

Too, if more production is necessary, the industry always can add to existing U.S. capacity. Phelps Dodge, for example, is considering raising the output of its mines at Ajo and Metcalf, Ariz. by 50%. Estimated total cost: $250 million.

Trouble is, sooner or later producers are going to have to take a far deeper plunge. Hendrick of Noranda figures that for new mines the "capital required each year for an annual consumption increase of only 2% is in the order of $1 billion to $1.5 billion in 1980 dollars." That's about as much as the U.S.

Copper

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
NVF	14.1%	**1**	7.9%	2.4	3.5%	**1**	11.5%	2.5%	9.3%	**3**	9.5%	**1**
Revere Copper	11.1	**2**	14.3	1.2	8.5	**2**	6.1	3.0	9.5	**2**	D–P	
Phelps Dodge	6.1	**3**	9.8	0.6	6.7	**3**	4.9	7.0	5.8	**4**	–8.1	**2**
Kennecott	3.4	**4**	5.7	0.4	5.8	**4**	3.7	4.0	13.3	**1**	–13.5	**3**
Industry medians	**8.6**		**8.9**	**0.9**	**6.3**		**5.5**	**3.5**	**9.4**		**–8.1**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
D-P: deficit to profit; not ranked.

industry may have to spend during the next five years on environmental controls, something that already cost a fortune.

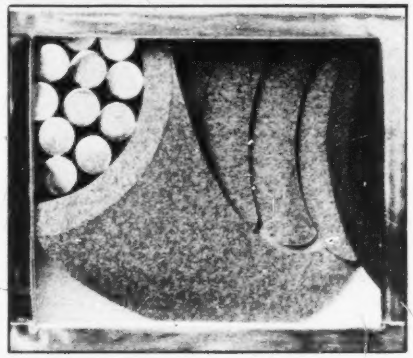
If the experience of Atlantic Richfield's Anaconda subsidiary is any indication of what's to come, the future is bleak indeed. Last year it closed a refinery and smelter in Montana because, despite having spent $80 million on antipollution measures at the smelter alone, it would have cost an estimated $400 million more to bring them up to environmental and health standards. No wonder Kennecott is hesitant about committing up to $400 million to build a new concentrator in Utah, not when it has to spend over $1.5 billion by 1984 to make its existing mines modern and competitive.

"During the last decade we had regulators impose costs on us ranging up to 15 cents a pound on a product that now only sells for $1," says Munroe. "Meanwhile, during the same period, the real price of copper went down by about 15%. Of all the primary nonferrous metals, copper did the worst. Now we're facing an entire second round of governmental requirements!" Then, taking a deep breath: "So if this industry is going to go anywhere our pricing had *better* improve."

Of course, this may happen precisely because producers hold off on new capacity. A shortage could drive up prices for a time. But as Munroe sees it, a price explosion isn't the answer. The industry needs not only high but also stable prices for a protracted period—not only to justify its expansion and to provide an adequate return, but to provide the return and still supply its customers' needs as well.

"If we get $1.75 copper," says George Munroe of his own company, "we should be earning $250 million to $300 million a year. And in constant dollars, that would only get us back relative to what we were earning in the late Sixties." It's not enough, but it's something.—**Thomas Jaffe**

For the diversified metals companies, expansion in gold and silver has become what the energy boom was a few years ago.



Diversified metals

THE OLD MINING SAW—"Gold is where you find it"—has been played so many times that by now you would almost hope it could be buried permanently. But as the leading diversified metals companies are proving, there is plenty more gold *and* silver to be found and some mighty powerful reasons for investing time and money to get at it.

Strip-mining Nevada's Comstock Lode
An old vein for the new boom.

"Precious metals projects that used to be in a stagnant inventory position on the exploration ledger," says Ronald Shorr, metals analyst at Bear, Stearns, "are now very much alive and have been moved to the head of the list."

Until a few years ago, the big diversified mining companies had better fish to fry. Precious metals prices were low, production volumes were small and, unless you turned up an extraordinary property, as Newmont Mining did in Carlin, Nev., gold and silver were the province of Homestake and Hecla, and the big diversified companies produced gold and silver, if they produced them at all, as a byproduct of their other minerals production. But all that has changed.

For the diversified metals company, gold and silver projects are especially attractive insofar as they generally require less capital and time to develop than volume metals like copper, lead and zinc. Later this year St. Joe Minerals starts full production at El Indio, a rich Chilean gold-silver-copper property. It will have taken over four years and more than $100 million to develop El Indio and build an adjacent mill and ore purifier. When Asarco opens its Troy, Mont. silver mine this year—with nearly 4.2 million ounces of annual capacity, the third-largest in the U.S.—it will have cost around $83 million and taken only three years to start up.

Meanwhile, at 1980 metals prices, El Indio could contribute more than $2 a share in earnings to St. Joe by 1982. That's around what the *entire* company earned in 1978. The whole investment may be paid off within 18 months. On the same pricing basis, Asarco's Troy mine should be generating more than $1 a share after 12 full months of production. The company now is considering the development of another pair of silver mines of at least Troy's size in Nevada and California, and by 1982 will have expanded the capacity of a Peruvian operation by 30%, to 1.7 million ounces.

Gold and silver have in fact become what energy was a few years back. There is a headlong rush into prospecting in South Africa, Australia, Canada, Mexico and elsewhere. Texasgulf is drilling for gold near its big Kidd Creek, Ont. mining complex. One site has an estimated annual output of up to 25,000 ounces; another may be richer. By 1983 St. Joe will be dredging as much as 100,000 ounces of gold at two California gravel deposits that have been worked for nearly a century. Last year AMAX, the leading producer of molybdenum, paid $403 million for Rosario Resources, involved in Latin American silver as well as in oil and gas. Rosario's 6.1-million-ounces-a-year output will nearly double the 6.3 million or more AMAX already produces either from custom refining or as a byproduct of other metals mines. "Rosario is just our first investment," says Michael Simeon, AMAX vice president for

More hostages to fortune

Until the 1973 oil embargo, few Americans had any idea of how dangerous U.S. dependence on foreign natural resources could be. But oil is almost the least of it. There are 62 other essential materials for which the U.S. is at least partly dependent on foreign resources, many of them even more critical in limited areas than oil is. Cobalt, for example, is essential to provide strength at high temperatures in jet engines, manganese in strengthening steel, platinum in producing catalytic converters, chromium in making stainless steel. Yet, whereas the U.S. imports only 40% of its oil, it imports 90% to 98% of its needs in these metals, largely from the Soviet Union, Zaire and South Africa. Between 1973 and 1978, the trade deficit in nonfuel minerals rose from $2 billion to $8 billion.

At the moment all these strategic materials, as they're called, are readily available and plentiful, but it doesn't take much to produce a crisis. In 1978 rebels disrupted the flow of cobalt from Zaire, and prices soared from $6 to $20 a pound (and as high as $55 on the spot market). In 1978 and 1979, the Russians sharply curtailed their exports of titanium sponge to Europe just as demand was increasing, and spot prices went as high as $20 a pound.

Washington has been studying the problem for years, and a new analytical report is slated to emerge from the White House soon. But there are only a limited number of responses to the problem, and the U.S. has only halfheartedly attempted to implement them in the past.

There's the National Defense Stockpile, of course, that collection of 62 strategic materials ranging from cobalt to castor oil stored at 113 locations and intended to tide the U.S. over three years of crisis. But the stockpile has never been kept up to snuff. Politicians have not hesitated to raid its coffers for political purposes, and 23 of its 62 materials fall at least 50% short of their specified goal.

Exploration offers another means of filling the gaps in our reserves. Tax incentives and the relaxation of environmental regulations could help corporations develop domestic supplies. Cobalt and platinum could probably be mined commercially in the West, and Alaska presumably still contains enormous riches.

An alternative to stockpiling or developing domestic reserves is substitution, and some companies have tried hard to find them. Pratt & Whitney, for example, uses a nickel alloy with columbium—100% imported, but from Canada and Brazil mostly—to replace nickel-cobalt alloy in turbine disks and so has reduced cobalt consumption 30% to 35% in one jet engine model. There are limitations to this technique. "All the easy substitutions have been made," says P&W Technology Group Vice President Richard Mulready. "It is getting harder to squeeze out more."

Obviously it's late for the U.S. to move to protect itself. But the vulnerability remains, and the longer the U.S. delays in coping with the problem, the greater it's going to become.—Van Wallach

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corporate development. "In precious metals you have to string beads to make your necklace."

Newmont is exploring everywhere it can—and at the same time upgrading its existing gold operations. "We're still basically a copper company," says President Jack Thompson. Even in strike-torn 1980 copper accounted for about half of corporate profits. But gold is catching up fast. Last year it yielded Newmont about $75 million, up over 130% from 1979 or around a third of Newmont's total net. (Figure in cost-free by-product gold from copper production and it is more than $100 million.) By next year Newmont will have brought on 74,000 ounces of new annual production from the Maggie Creek property next door to its big mine at Carlin, Nev. at a cost of nearly $10 million. This price tag includes the building of a low-cost "heap leaching" operation, wherein acid seeps through an ore pile and in effect pushes out the gold. Simultaneously it is upgrading the feed ore going into its 95,000-ounce Telfer mill in Australia. Newmont recently announced a new find near Carlin that may hold *another* 1 million ounces of gold.

"There is an old adage in our industry," says Jack Thompson, "that minerals are where you find them. [Sound familiar?] You look everywhere for everything you can and with skill and plenty of luck you may discover some ore bodies a cut above the usual fare." As the number one U.S.-based gold producer, Newmont clearly has a leg up.—**Thomas Jaffe**

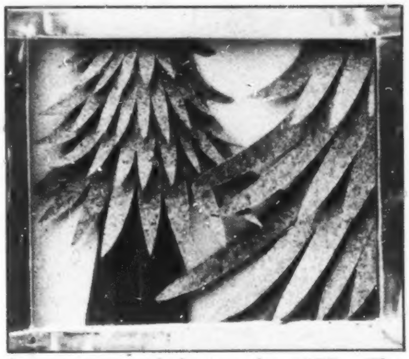
Diversified metals

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Engelhard Minerals	31.8%	**1**	48.8%	0.2	40.3%	**1**	26.0%	2.1%	31.1%	**1**	27.4%	**1**
Handy & Harman	21.1	**2**	31.4	0.7	20.0	**2**	14.1	3.6	12.0	**9**	17.8	**2**
Texasgulf	15.4	**3**	36.4	0.3	20.3	**7**	9.5	28.1	12.6	**8**	7.0	**5**
St Joe Minerals	15.1	**4**	16.7	0.3	11.8	**3**	12.0	7.2	18.5	**2**	4.1	**7**
Newmont Mining	14.6	**5**	30.1	0.3	21.4	**4**	10.5	24.2	13.4	**6**	5.6	**6**
AMAX	14.0	**6**	23.4	0.4	17.2	**5**	10.3	16.1	14.8	**5**	10.7	**3**
ASARCO	11.8	**7**	23.8	0.2	19.0	**6**	9.7	13.5	7.6	**10**	8.1	**4**
Commercial Metals	11.8	**8**	22.1	0.3	17.5	**8**	9.5	1.5	17.6	**4**	0.1	**8**
Gulf Resources & Chem	10.3	**9**	12.6	1.2	7.1	**9**	7.3	3.0	18.2	**3**	–4.5	**9**
Inco	8.8	**10**	13.7	0.5	8.5	**10**	5.7	8.4	13.1	**7**	–5.7	**10**
Industry medians	**14.3**		**23.6**	**0.3**	**18.3**		**10.0**	**7.8**	**14.1**		**6.3**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

The industry can't do much about inflation, interest rates or recession. Instead it's attacking the problem of manufacturing efficiency.



Forest products

THE ERUPTION OF MT. ST. HELENS that began last May is about the most dynamic force in the forest products industry these days. The volcano destroyed tens of thousands of acres of timberlands, but at least that's a problem the industry's foresters know how to handle. Most of the problems the industry has faced are far less amenable—soaring interest rates, inflation, declining housing starts, a slackening paper market, a deepening recession. The result overall was about a 20% decline in industry earnings last year. Mt. St. Helens has now settled down, the recession has abated, at least temporarily, so 1981 looks like a better year, though the problems of inflation, high interest rates and low housing starts will remain.

Overall, most of the forces that drive the industry these days seem completely out of its control and likely to remain so. Under the new Reagan Administration, it is possible (though not likely) that interest rates will go down and stay down long enough to encourage home-building. In 1980 housing starts hit a five-year, 1.2 million low, though most industry experts agree that there's enough pent-up demand to support the 1.7-to-1.8 million starts the industry averaged during the 1970s. The government could also increase housing subsidies, or it could—as Reagan has already hinted—return some of the timberland taken from the industry for parklands in recent years. More fir, jack pine and redwoods on the books might not improve profits much in 1981 but certainly would improve the industry's long-term prospects.

In the circumstances there may not be much the industry can do about volume, but it can do something about its margins, and it is. "The number one issue in 1981 is better utilization of manufacturing assets," says Robert Schuyler, senior vice president and chief financial officer for Weyerhaeuser. "We *have* to improve productivity if we are to cope with the inflation in labor costs and materials that are the key factors in determining margins and earnings."

For Weyerhaeuser that means a record capital-equipment expenditure of some $1 billion in 1981. The major portion will go to expand their pulp and paper operations, including a new plant in Mississippi. Newsprint manufacturing plants in the Northwest

Forest products

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
James River Corp Va	27.9%	**1**	21.5%	0.6	12.9%	**3**	15.5%	4.0%	52.6%	**1**	31.7%	**2**
Fort Howard Paper	25.8	**2**	23.3	0.2	18.5	**1**	22.4	17.6	17.4	**4**	22.3	**6**
Mead	20.6	**3**	17.7	0.5	12.0	**7**	12.3	5.1	11.9	**15**	23.6	**4**
Consolidated Papers	20.2	**4**	20.8	0.1	17.7	**2**	17.6	10.6	15.6	**6**	24.5	**3**
Willamette Inds	19.3	**5**	17.3	0.3	13.2	**5**	13.7	7.3	18.6	**3**	14.5	**12**
Kimberly-Clark	19.1	**6**	14.2	0.2	12.1	**4**	14.4	7.0	10.4	**20**	22.6	**5**
Union Camp	19.0	**7**	18.1	0.2	13.0	**6**	13.5	10.4	11.4	**17**	15.3	**9**
Georgia-Pacific	18.0	**8**	12.7	0.5	7.5	**11**	10.9	4.9	16.2	**5**	13.9	**13**
Weyerhaeuser	17.7	**9**	14.3	0.5	10.5	**8**	12.3	8.5	13.1	**10**	12.0	**16**
Louisiana-Pacific	17.2	**10**	10.9	0.3	7.7	**10**	11.2	5.8	23.0	**2**	13.1	**14**
Potlatch	15.6	**11**	9.2	0.6	6.5	**9**	11.2	5.5	11.3	**18**	15.8	**8**
Champion Intl	15.3	**12**	11.3	0.5	7.6	**16**	9.0	4.6	9.8	**21**	10.5	**19**
International Paper	15.0	**13**	9.8	0.4	7.7	**13**	10.1	5.5	10.8	**19**	12.0	**15**
Gt Northern Nekoosa	15.0	**14**	16.1	0.4	11.1	**12**	10.6	7.4	15.1	**7**	14.6	**11**
Westvaco	14.9	**15**	15.5	0.4	10.3	**14**	10.0	6.2	12.1	**13**	16.0	**7**
Boise Cascade	13.2	**16**	11.4	0.5	7.9	**15**	9.7	4.5	12.1	**14**	134.1	**1**
Federal Paper Board	13.1	**17**	16.9	0.7	8.9	**21**	7.7	6.1	8.6	**22**	7.0	**22**
Southwest Forest Inds	12.5	**18**	12.4	1.0	8.0	**20**	8.2	4.1	11.7	**16**	14.8	**10**
St Regis Paper	12.3	**19**	13.8	0.4	10.0	**17**	9.0	6.5	13.4	**9**	7.3	**20**
Crown Zellerbach	12.2	**20**	8.7	0.5	6.8	**18**	8.8	3.2	12.7	**11**	7.2	**21**
Scott Paper	11.4	**21**	12.6	0.4	9.2	**19**	8.4	6.3	12.3	**12**	11.8	**17**
Hammermill Paper	11.3	**22**	14.6	0.6	9.3	**22**	7.5	3.7	14.2	**8**	11.3	**18**
Industry medians	**15.5**		**14.3**	**0.5**	**9.7**		**10.8**	**6.0**	**12.5**		**14.6**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Blowup

You saw it on TV: In one mighty, cataclysmic upheaval, Oregon's Mt. St. Helens awakened last May and sent over 3 billion cubic yards of earth, rock and ash flying under an atomic bomb-like plume that circled the globe 13 times so far and is still going. When it was over—at least for the moment—the mountain was 1,300 feet shorter, nearby Spirit Lake was turned into a mud-filled pond, and some 3 billion cubic board feet of logs and trees had been "removed" from the Mt. St. Helens topography like so many matchsticks swept away with a broom.

Timberfall at Mt. St. Helens

The recession was far worse.

What had been prime Northwest timberland was now an area of agricultural devastation. Some 50% of the timber leveled belonged to the U.S. National Forest Service and the State of Washington, and so had no calculable commercial value. But the other 50% was strictly private, belonging primarily to Weyerhaeuser (473,000 acres), Burlington Northern (41,000) and Champion International (only 37). For both Champion and Burlington Northern the eruption was more frightening than costly. "The impact on our timber production was so small as to be quite inconsequential," says a Champion International executive in Connecticut. Burlington Northern was equally stoic, though the 640 acres it owns—or owned—at what was once the summit of the mountain is now part of the crater.

But the stoicism wears a bit thin at Weyerhaeuser. As the major company at risk, Weyerhaeuser lost no time in getting teams onto the mountain after the eruption. What they didn't find standing was 36,500 acres of commercial-size timber. And so, in the third quarter last year, the company wrote off the devastation to the tune of $36 million aftertax, or 29 cents per share. The lost trees amounted to only 1% of Weyerhaeuser's timber base, but their value is a lot more than $36 million, which was calculated at the 1913 historic value of the trees. In current value, the loss is probably 10 times that. "We're a big company, we can take it," says Robert Schuyler, senior vice president and chief financial officer for Weyerhaeuser. "We'll grow timber on Mt. St. Helens again."

You can bet, however, that for the moment Weyerhaeuser will content itself with salvaging the kindling sticks in reforesting the land no nearer than 12 miles from the volcano. Any closer work will have to await the volcano's return to slumber.—M.K.

and its linerboard facility in Oklahoma are also scheduled for expansion. "Housing will come back and we have strong prospects for North American pulp and paper producers. We have to be ready to meet that demand," says Schuyler.

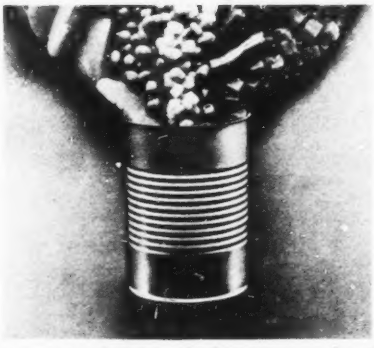
At Crown Zellerbach, Chairman and CEO C.R. Dahl is one year into a $1.5 billion capital-improvements program of his own. "The things we're doing can't help us in 1981," says Dahl, "but they certainly will help us long term."

That's not just wishful thinking. Ft. Howard Paper, for one, could see earnings rise by nearly 20% in 1981, despite the lingering recession. The reasons? One is that Ft. Howard has some of the newest and most sophisticated equipment and technology, and this, coupled with its use of recycled wastepaper fiber rather than standard pulp, has given it profit margins significantly higher than the industry's 6% average.

Says Dahl, "The first six months of 1981 are going to look like the last six months of 1980. But housing looks good for the decade and so does pulp and paper. By 1982 we'll be into full recovery and that's when our expenditures today are really going to begin to pay off."

Besides modernizing, Crown Zellerbach is hedging its bets outside the industry. Last fall it announced it was stepping up the leasing of most of its 640,000 acres of timberland in Louisiana and Mississippi for oil exploration. No big gusher has come in so far and Dahl warns that one may never materialize. "You have to remember this is all wildcatting," he cautions. "We're not talking about development wells." But the time seems right for forest products companies to take a closer look at their mineral rights. Weyerhaeuser already has. Laments Schuyler, "I guess God didn't favor us because, out of the 6 million acres of timberland we have in the U.S., we've only got two or three producing wells."—**Michael Kolbenschlag**

Economics and regulation are setting off a new burst of innovation in packaging.



Packaging

IN THE PACKAGING BUSINESS, the battle of materials has gone on for decades now with paper supplanting steel, aluminum supplanting glass, plastics supplanting everything. Take the beer and soft-drink market, which accounts for some 61% of industry sales. For at least the past 20 years bottlemakers and canmakers have slugged it out. Now the plastic-bottle makers have jumped into the fray and captured 20% to 25% of the soft-drink market in only two years.

What is novel this year is the search for new packaging products and manufacturing innovations, inspired by the high energy costs in glassmaking, impending government regulation concerning the lead content in cans, and competition from plastic. Says Arthur M. Stupay, packaging analyst at Prescott, Ball & Turben: "There are profound changes taking place in this industry. There will be more new packages in 1981 than in any year of the 1970s."

Some of the innovations Stupay cites are evolutionary and energy-saving ones, such as continuing weight reductions in bottles and cans. Others mark shifts in marketing strategies—like streamlined Michelob-like beer bottles intended to promote a chic, top-of-the-market image.

These changes are minor, however, compared to the major retooling expected in both glass and can plants in the next five years. The glassmakers were caught off guard by the success of the 2-liter plastic bottle, a cheaper, lighter-weight package that pushed glass completely out of the large-size segment of the soft-drink markets. Now plastic-bottle makers, like Continental, Dorsey and Owens-Illinois, are eyeing the single-serving segment. As Coca-Cola is already testing Continental's half-liter plastic bottle, glassmakers like Ball, Brockway and Anchor Hocking are scrambling to maintain their dominance.

The big deal among glassmakers these days is productivity—knowing how to make a 16-ounce glass bottle, already cheaper than the rival half-liter plastic one, even cheaper yet. The first step: standardizing bottle shapes. The customized bottle, like the curvaceous Coke classic, is a relic. Now virtually all soft drinks come in squat 7-, 10- or 16-ounce containers, distinguished only by styrofoam labels. Owens-Illinois, a leader in 2-liter plastic bottles, came up both with the single-serving glass design and the labeling—called the Plasti-Shield bottle—which it is licensing to competitors.

In addition to the cost savings of uniformity, the big push in glass bottles this year will be for energy cost savings in manufacturing. Glass is made today much as it was 4,000 years ago: sand, limestone and soda ash are blended and then heated to some 2,500 degrees Fahrenheit. During that process some 60% to 70% of the energy escapes the furnace and 15% of the product is discarded because of imperfect blending.

Ball Corp., one of the glass technology leaders, is developing new manufacturing efficiencies designed both to conserve energy and to increase usable output, widening the 25% cost advantage glass now has over plastic in small beverage sizes. "The glass industry will change more in the next 10 years than it has in the past 100," asserts Clifton J. Reichard, Ball's vice president in charge of commerical glass sales. What is Ball doing? First, shaping that sand, limestone and soda ash into briquets, much like the charcoal ones you use in your barbecue. That ensures consistency of mixture and reduces waste. Next, those briquets travel through a pipeline that captures heat escaping from the furnace. That preheating of the briquets should save Ball some 35% in energy costs; the entire system is expected to be in place in the first of Ball's eight glassmaking plants in about two years.

While glassmakers are responding to competitive threats from plastics, canmakers are reacting to impending FDA edicts. The FDA doesn't want children eating foods with a high lead content, and a lot of that lead seeps into the food from the soldered seam on the side of the cans. Canmakers are retooling for new technology, either *welded* three-piece cans (eliminating *soldered* seams) or two-piece cans, where there are no seams at all—only the cup and the stamped-on top.

Two-piece cans are already a standard beverage container. Made of lightweight aluminum, they derive their strength from the mass of the carbonated liquid inside. Aluminum, however, isn't strong enough to hold less-dense food, so for the moment at least, steel-can makers don't face the aluminum threat that ran them out of beverage containers. The two-piece steel can, however, is a more difficult technology to master, because the steel itself must be coated with a rust-preventing substance, like tin—a coating that must be flexible enough to move with the metal when drawn over a die.

Continental is shifting to the Conoweld three-piece can, having yet to perfect the two-piece steel technology on a cost basis. But American Can, according to its vice president of food metal packaging, Robert I. Moran, *has* perfected the process, making it cost-competitive with both the three-piece traditional soldered and newer welded cans. In fact, American Can has already signed an agreement with Green Giant to start putting Green Giant vegetables into two-piece cans this year. "Over 10% of our can output will be two-piece in 1981," Moran states, adding, "that percentage will grow dramatically in the next five years."—**William Harris**

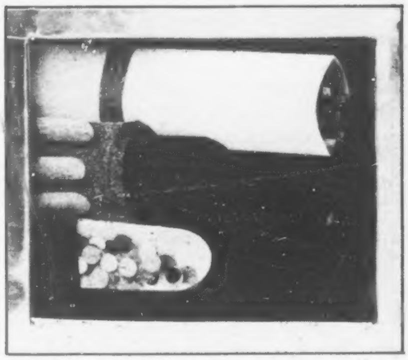
Packaging

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Sonoco Products	17.3%	1	18.0%	0.1	14.6%	2	14.6%	6.5%	14.2%	7	17.1%	3
Longview Fibre	16.7	2	9.3	0.0	8.8	1	15.3	4.9	11.7	10	10.1	12
Crown Cork & Seal	16.6	3	15.3	0.0	13.5	3	14.1	5.0	14.4	5	16.3	6
Stone Container	15.4	4	21.7	0.6	12.8	8	9.8	5.7	13.0	9	11.5	9
Ball Corp	14.9	5	15.6	0.6	9.8	4	10.6	3.9	16.7	2	15.0	7
Maryland Cup	14.5	6	15.0	0.5	10.6	7	10.1	4.5	16.6	3	16.9	4
Dorsey	13.4	7	12.7	0.7	7.9	11	9.2	2.0	20.5	1	19.1	1
Anchor Hocking	13.2	8	10.0	0.3	7.9	5	10.4	3.3	13.5	8	10.1	13
Continental Group	13.0	9	14.1	0.5	9.1	9	9.4	4.7	9.0	15	13.6	8
National Can	13.0	10	19.7	0.5	13.4	10	9.3	3.5	14.4	6	9.4	14
Kerr Glass Mfg	12.4	11	8.9	0.5	6.9	12	9.0	2.7	11.7	11	18.7	2
American Can	12.1	12	8.6	0.4	6.2	14	8.5	1.9	11.3	12	16.7	5
Diamond Intl	12.0	13	8.4	0.2	7.6	6	10.3	3.5	10.0	14	2.8	17
Owens-Illinois	11.5	14	12.6	0.5	8.6	16	7.9	3.8	11.1	13	10.5	11
Bemis	11.3	15	7.4	0.4	5.5	15	8.0	1.7	5.5	17	10.7	10
Brockway Glass	11.0	16	9.0	0.4	7.0	13	8.7	2.6	15.0	4	6.7	15
Saxon Industries	5.3	17	6.3	1.0	4.8	17	4.3	1.1	8.6	16	4.8	16
Industry medians	**13.0**		**12.6**	**0.5**	**8.6**		**9.4**	**3.5**	**13.0**		**11.5**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Genetic engineering is the hottest thing in the drug industry right now. No one, however, has made any money from it so far.



Drugs

GENE SPLICING. GENETIC ENGINEERING. Recombinant DNA. A decade ago this was the stuff of science-fiction fantasies. Today investors are pouring millions of dollars into it, developing ways to combine genetic material from different organisms to create living factories. The potential products range from medicines and chemicals to—as some wild-eyed dreamers suggest—new plant breeds that need less fertilizer and can tolerate drought, salt water and harsh climates.

Not the least of the major developments in the fast-growing field in 1980 was the U.S. Supreme Court decision in June that allowed man-made organisms to be patented. In December the first patent was granted to Stanford University, one of the pioneers in the field. It is, however, still unclear how patents will clarify issues of ownership and distribution of profits, to say nothing of who will share research with whom when money as well as scientific advancement are at stake.

So far, in addition to major universities, at least nine major U.S. pharmaceutical companies, four big research firms and seven smaller companies are involved in the new field. But although each new announcement of a breakthrough is greeted with wild enthusiasm by investors, sending stock prices for genetic engineering companies soaring, the millions invested so far have yet to produce a profit. The field, after all, is still in its infancy. So everybody talks about genetic engineering, but many are still uncertain of what it is and what it can do. Here are some questions and answers.

What is genetic engineering?

Put simply, genetic engineering (a/k/a gene splicing and recombinant DNA) is the recently developed technique of taking genetic material from one organism and implanting it in another, creating a new life form. The genes can come from any type of cell—human, animal, plant—and, theoretically, new genetic material can be implanted in any kind of cell, making it possible to give new characteristics to more complicated organisms.

If no one's making any money out of genetic engineering yet, why is everyone so excited about it?

Because the potential is thought to be enormous. The gene-splicing techniques developed so far can produce purer insulin for diabetics, a growth hormone to treat dwarfism, and interferon—a substance that has been touted for fighting viruses and cancer but is terribly difficult to obtain in useful quantities without using recombinant DNA techniques. All three of these substances have been successfully produced in experimental laboratories through gene splicing and could signal the beginning of a new generation of money-making miracle cures. Recombinant DNA is also thought capable of producing cheaper and better chemicals, vaccines and even food. In agriculture, gene splicing could theoretically speed up the development of new varieties of plants that must now be laboriously crossbred over generations, increasing yields both at harvesttime and from processing, as in the case of alcohol fermented from grain. Scientists have developed gene-spliced bacteria that are said to be able to gobble up oil spills.

Can genetic engineering be applied directly to human beings?

Apparently so, but the whole idea is highly controversial. Dr. Martin J. Cline of the University of California performed the first known genetic-engineering experiments with humans this year on two women in Italy and Israel who were suffering from a hereditary blood disease. The experiments triggered an

Drugs

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Ethical drugs												
SmithKline	33.4%	1	38.1%	0.2	35.6%	1	28.6 %	17.3%	19.1%	1	24.7%	1
Merck	25.8	2	25.1	0.1	21.4	3	21.8	15.7	12.7	7	12.9	4
Schering-Plough	24.3	3	23.5	0.0	21.9	2	23.5	14.5	14.6	3	14.3	3
Eli Lilly	21.6	4	21.3	0.0	20.9	4	21.0	14.0	14.1	4	12.0	5
Upjohn	21.1	5	22.4	0.3	16.1	5	15.3	9.8	15.4	2	16.0	2
Pfizer	17.7	6	17.6	0.4	13.6	7	13.3	8.4	12.9	6	10.7	6
A H Robins	16.5	7	18.4	0.1	17.1	6	14.6	11.6	12.9	5	8.5	7
Squibb	15.1	8	13.1	0.4	10.1	8	11.5	7.7	9.2	8	7.4	8
Medians	**21.4**		**21.9**	**0.2**	**19.0**		**18.2**	**12.8**	**13.5**		**12.5**	

Note: Explanation of Yardsticks calculations on page 49.

Drugs

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Proprietary drugs												
American Home Products	32.4%	1	32.8%	0.0	32.9%	1	32.4%	11.7%	10.9%	3	12.2%	2
Bristol-Myers	22.2	2	22.4	0.1	20.1	2	20.3	8.5	12.0	2	13.8	1
Sterling Drug	16.0	3	16.4	0.1	14.6	3	14.7	7.2	10.9	5	5.5	4
Richardson-Merrell	14.8	4	16.2	0.1	15.0	4	13.2	6.9	13.5	1	10.1	3
Warner-Lambert	14.2	5	12.0	0.4	8.7	5	11.0	4.4	10.9	4	3.4	6
Morton-Norwich	11.3	6	14.4	0.3	10.6	6	8.8	5.2	9.9	6	5.0	5
Medians	15.4		16.3	0.1	14.8		14.0	7.1	10.9		7.8	
Industry medians	19.4		19.9	0.1	16.6		15.0	9.2	12.8		11.4	
All industry medians	15.8		16.1	0.4	11.0		11.1	5.0	14.3		13.9	

Note: Explanation of Yardsticks calculations on page 49

investigation by the National Institutes of Health and Dr. Cline was denied permission to perform similar experiments in this country by the university.

Which companies are involved in genetic engineering?

Eli Lilly and Co. is investing $40 million in a facility to produce human insulin using recombinant DNA techniques. The biosynthetic insulin is being tested on human beings in Europe and the U.S. Merck & Co. Inc. has invested $23 million in a genetic research laboratory. G.D. Searle & Co. has announced plans to put $15 million into a pilot plant to develop products using genetic engineering. The Dow Chemical Co. has a $5 million agreement with Collaborative Genetics, a small Massachusetts firm, which will give Dow access to any genetic-engineering technology developed by the company. Other pharmaceutical companies putting money into genetic engineering include Pfizer Inc., Abbott Laboratories, the Upjohn Co., Smith Kline & French Laboratories, Schering-Plough Corp. and Bristol-Myers Co. A leader among the research firms in the field is Genentech Inc. of San Francisco, which worked with Lilly on insulin and with Hoffmann-LaRoche on interferon. The oldest of the major genetic-engineering firms is the Cetus Corp., which concentrates on industrial and agricultural uses for genetic engineering.

What is the commercial role of the universities in this new field?

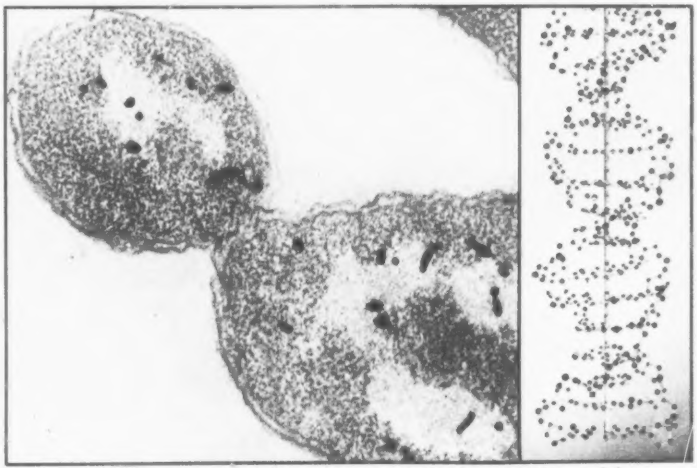
The universities themselves don't know yet. Prominent professors are popping up on the boards of genetic-engineering companies, like Harvard's Walter Gilbert, chairman of Geneva-based Biogen SA's scientific committee and cochairman of its board of directors. Harvard itself toyed with the idea of getting into the for-profit genetic-engineering business but dropped the idea, partly for fear that research-for-profit might cut off or slow down important but commercially useless basic research. There are also bound to be more legal wrangles over who owns what and who gets the profits, such as the one between the University of California and Hoffmann-LaRoche over a cell line developed by university researchers, which Hoffmann-LaRoche obtained and plans to use commercially to produce interferon.

What factors could hold back growth in the field?

Initial fears that genetic-engineering research would unleash monster microorganisms on an unsuspecting population have waned and even the National Institutes of Health has relaxed research guidelines to permit much freer investigation. The big new worry is whether researchers who have traditionally shared details of new discoveries will withhold vital information from potential marketplace competitors, and thereby delay scientific breakthroughs. The University of California-Hoffmann-LaRoche legal squabble is said to have made university researchers much more cautious about sharing information. No one knows how well patents will protect new discoveries, and until that is straightened out—it is expected to be a lengthy and litigious process—scientists may well guard their secrets from each other.

Couldn't genetic engineering be just a flash in the pan?

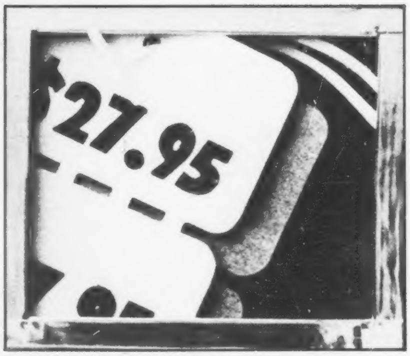
Anything is possible. Testing on the first products of genetically engineered molecular factories is far from complete. Even the widely publicized potential of interferon as a cancer fighter is based on very limited experiments. It may take years and millions more dollars before useful products are developed, tested—proven—and the danger of side effects or aftereffects eliminated. The profit payoff could be even further down the road. But right now scientists, drug companies and Wall Street all seem to be saying that genetic engineering will be to the Eighties what microelectronics was to the Seventies.—**Ann Hughey**



Electron-microscope autoradiograph of DNA (left) *and DNA model*

Gene splicing is the stuff millionaires are made of.

With retailers aggressively pursuing the discount and high-fashion specialty business, the old-line general merchandiser may well become a relic of the past.



General retailers

IN TODAY'S TOUGH RETAIL CLIMATE, no one can afford to be all things to all people, and many of the major department store chains are deciding to take after K mart and Macy's (FORBES, *Nov. 10, 1980*). K mart's pioneering discount stores and Macy's successful foray into higher-priced fashions have set the trend for merchandising strategies that are becoming increasingly widespread.

As the problems of outfits like J.C. Penney, Sears, Roebuck, Gimbels, Montgomery Ward and Higbee make clear, the general merchandiser is losing ground at one end of the market to the trendy fashion stores and at the other end to the discounters—not the old-style discounters like Korvette or Fed-Mart, which have had troubles of their own, but new-style discounters like K mart, Wal-Mart and Caldor, whose style has supplanted theirs. "Because they have catered to the nebulous concept of a middle-income customer, the general merchandisers now are left with a somewhat undefined character, blurring the value image they once projected to shoppers," says Walter Loeb, retail analyst at Morgan Stanley. "The middle market eventually will disappear."

Higher energy costs and higher taxes have left less than 8% of a family's disposable income available for clothing and accessories, versus nearly 10% in 1960. One might expect people to look for bargains at a time when inflation is squeezing family pocketbooks, but consumer psychology doesn't entirely work that way. Sure, inflation makes people hunt for the lowest prices in staples, say, but in other areas it makes them heedless of money and willing to pay $50 for a pair of "designer" blue jeans.

To capitalize on this contradictory trend, retailers like Macy's, Carter Hawley Hale and J.C. Penney are stocking more expensive, trendy merchandise, while outfits such as Dayton-Hudson, Montgomery Ward and Federated are pouring more money than ever into attracting the discount-store shopper. It's all but certain, however, that the growth of the discounters—accounting for over half the $100 billion retail market—and of stores selling fashion and brand-name items, will come out of the hides of those department stores that have traditionally catered to "middle-income" customers—Marshall Field and Gimbels, Penney and Sears.

In an effort to reverse its dismal earnings record, Montgomery Ward, which reported a nine-month loss of $124 million last year, is trying to transform itself from a general merchandise retailer into a "promotional discount store" chain. It has already opened 46 Jefferson Ward outlets that feature centralized checkouts, self-service and heavy sales promotion, and it plans to convert more than 100 of its 430 stores into Jefferson Ward outlets over the next three years.

No department store chain has been pursuing the discount business more aggressively than Minneapolis' Dayton-Hudson Corp., whose 830 stores in 45 states grossed about $4 billion last year. Nearly 90% of Dayton-Hudson's $2 billion capital

Booming with Bloomie's

This may be a shock to its devotees, but in the 1940s New York's Bloomingdale's—today's trendiest, most innovative force in U.S. upper-crust retailing—was a drab bargain store where the maids of wealthy New Yorkers shopped. Today, it's a star performer in the $5.8 billion Federated Department Stores stable with an image that attracts customers to buy premium-priced underwear and umbrellas because the items are printed with Bloomie's name. The flagship store of its 15-store chain, located on 59th Street in Manhattan, moves merchandise at an astonishing rate of $450 per square foot of sales space—4 times the national average.

Bloomie's Traub

How did this dowdy matron transform herself into a sleek young fashion plate? By turning shopping into entertainment. By combining aggressive merchandising with show business, Bloomie's makes sure that—whether one loves it or hates it—every shopper knows what it stands for: the *in*most of consumerism with the most *in* of consumers. On any given Saturday, customers can hear live musicians or watch celebrities like Diane Keaton, Danny Kaye and Richard Nixon shop. Building that image over the years was a line of strong managers. Says Chairman Marvin Traub: "We have enormous continuity of management. Over the past 33 years, we've had only six guys in the two top posts. That's one of our greatest strengths."

Bloomingdale's pioneered the chic "boutique" concept—clustering small specialty stores inside a large old-line department store. Other retailers quickly copied the concept, Macy's perhaps most successfully of all. Under Traub, 55, Bloomingdale's has gone on growing—partly because Bloomie's keeps setting the trend, not following it. These days, it's keeping ahead of the pack with storewide spectaculars. The latest was a seven-week China promotion for which executives and buyers made 130 trips to the People's Republic, brought back $14 million worth of merchandise and lined up corporations to sponsor displays like 20 imperial robes from the 17th to 19th centuries never before taken out of Peking.

Bloomie's parent, Federated, gives Traub a lot of freedom. In exchange, Bloomingdale's sales are expected to grow by at least 10% in a recession-stricken year—up from $518 million, or 9% of Federated's 1979 revenues. Federated, by contrast, will be lucky to rise 8%.—Flora S.H. Ling budget for the next five years will go toward expanding its Mervyn's and Target upscale discount stores and its B. Dalton Booksellers. In planning to build 600 discount and specialty stores by 1985, Dayton-Hudson is all but abandoning to the competition its traditional middle-of-the-road department store business.

"The general merchandise department store is getting squeezed as its traditional customers find their incomes ravaged by inflation," says Richard L. Schall, Dayton-Hudson's vice chairman. "The discount and specialty stores have the greatest potential for future growth, and our shareholders will be better off as a result of our new focus."

While it doesn't plan to shortchange its fashionable Bloomingdale's, Filene's or Bullock's stores, Cincinnati-based Federated Department Stores is doubling the capital budget of its Richway and Gold Circle discount operations.

Going in the opposite direction is Carter Hawley Hale. The big west coast retailing outfit, which owns the high-fashion Neiman-Marcus and Bergdorf Goodman stores, is now upgrading merchandise at its flagship Broadway stores, traditionally a middle-market retailer, as well as at its Emporium Capwell, Thalhimers and John Wanamaker operations.

Philip Hawley, president and CEO of Carter Hawley Hale, says: "Like Macy's, our Broadway stores are going after a customer less and less willing to be handled as if she were an IBM card. She wants an individualized shopping experience." Hawley could have added, but didn't, that if the customer is going to be treated like a cipher she expects extremely low prices in return. Retailing thus is becoming increasingly polarized between cheap and trendy. This is bad news for outfits like Sears that are positioned so firmly in the middle of the market.—**Nick Galluccio**

General retailers

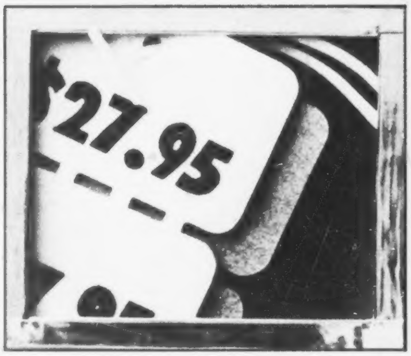
Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Department stores												
Dayton-Hudson	24.3%	1	17.1%	0.2	14.7%	1	17.6%	4.4%	15.1%	2	29.4%	1
R H Macy	16.4	2	19.2	0.4	13.2	4	11.1	4.3	10.8	6	19.3	2
Federated Dept Stores	14.7	3	15.9	0.2	13.2	2	12.9	4.3	12.3	4	9.6	7
Mercantile Stores	14.2	4	11.5	0.4	9.1	3	11.5	3.4	12.3	5	9.9	6
Garfinckel Brooks Bros	13.6	5	12.7	0.7	9.5	7	9.8	3.2	10.2	9	8.3	9
May Dept Stores	13.6	6	13.6	0.7	8.7	9	9.2	3.6	10.3	8	11.0	5
Allied Stores	13.2	7	11.3	0.5	8.4	8	9.4	3.6	5.8	15	13.4	4
Carter Hawley Hale	12.8	8	12.5	0.8	7.6	11	8.2	2.7	14.3	3	5.0	12
Carson Pirie Scott	12.6	9	9.9	0.7	6.8	10	8.3	2.4	5.6	16	15.7	3
Sears Roebuck	11.9	10	7.5	0.3	6.5	6	9.9	2.2	9.3	11	5.6	11
J C Penney	11.9	11	8.2	0.3	6.6	5	10.0	1.8	10.4	7	6.3	10
Strawbridge & Clothier	10.3	12	9.2	0.7	6.9	12	8.1	2.8	9.5	10	8.9	8
Dillard Dept Stores	9.7	13	8.5	1.1	5.7	14	6.4	1.7	18.6	1	4.2	14
Associated Dry Goods	8.8	14	9.5	0.3	7.9	13	7.4	2.6	7.0	13	0.1	15
Marshall Field	7.1	15	5.5	0.4	4.5	15	6.1	1.7	8.2	12	–3.4	16
Alexander's	5.9	16	1.6	1.2	2.6	16	4.2	0.2	6.1	14	4.4	13
Goldblatt Brothers	def	17	def	0.8	def	17	def	def	2.8	17	P–D	17
City Stores	def	18	def	NE	def	18	def	def	–3.8	18	D–D	18
Medians	**12.3**		**9.7**	**0.6**	**7.3**		**8.8**	**2.7**	**9.9**		**7.3**	
Discount and variety stores												
Wal-Mart Stores	31.0%	1	29.1%	0.8	18.8%	1	21.6%	3.2%	40.7%	1	34.7%	2
Caldor	25.8	2	26.6	1.2	13.4	2	16.6	3.3	22.7	2	24.6	3
Heck's	18.9	3	20.0	1.0	11.6	3	14.5	3.8	22.4	3	18.9	4
K mart	18.5	4	12.3	0.8	8.7	4	14.2	2.0	18.8	5	17.5	5
Kings Dept Stores	18.1	5	9.0	0.9	6.5	5	13.8	1.5	13.1	8	11.7	8
Household Finance	14.7	6	12.3	1.9	6.0	10	7.0	2.4	13.3	7	8.0	10
Hartfield-Zodys	14.3	7	9.1	1.5	6.0	9	7.2	1.2	6.8	14	D–P	
Rapid-American	12.9	8	7.8	2.7	6.5	12	6.4	1.0	0.1	15	D–P	
Rose's Stores	12.5	9	12.5	0.2	11.0	6	11.2	1.7	8.4	11	17.1	6
F W Woolworth	12.3	10	12.6	0.6	8.3	7	8.2	2.2	10.7	10	10.4	9
Zayre	10.5	11	10.8	1.5	7.0	11	6.8	1.1	7.2	13	14.2	7
Kuhn's-Big K Stores	6.5	12	def	1.1	0.4	8	7.8	def	17.8	6	–10.2	12
G C Murphy	6.5	13	8.0	0.6	6.2	14	5.4	1.3	8.3	12	–1.7	11
Pamida	5.3	14	5.5	0.5	5.5	13	5.4	1.1	13.0	9	–12.1	13
Cook United	5.0	15	5.4	1.0	5.2	16	4.5	1.0	–4.9	17	213.5	1
Vornado	def	16	def	0.7	1.4	17	1.9	def	–1.7	16	P–D	15
Fed-Mart	def	17	def	1.7	0.2	15	4.5	def	20.7	4	P–Z	14
Medians	**12.5**		**9.1**	**1.0**	**6.5**		**7.2**	**1.3**	**13.0**		**11.7**	
Industry medians	**12.5**		**9.5**	**0.7**	**6.8**		**8.2**	**2.0**	**10.3**		**8.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. D-D: deficit to deficit. D-P: deficit to profit; not ranked. P-Z: profit to zero.
def: deficit. NE: negative equity.

The retail computer store promises to be to electronics what McDonald's was to fast foods.

Specialty retailing



THROUGH ITS CHAIN OF 8,000 Radio Shack and Tandy Electronics Stores, Ft. Worth Tex.' $1.4 billion (sales) Tandy Corp. pioneered the retailing of small hand-held and desktop computers—items ranging from $250 to $10,000 in price—to hobbyists, businessmen, students and the like. That's one reason Tandy's sales and earnings have doubled since 1976, and one reason its stock has risen fourfold over the last 16 months. It's also one reason why a host of competitors and imitators are now trying to cash in on Tandy's retail computer market. Tandy has latched on to a really big one this time. Retail computer sales are expected to grow from $1 billion last year to $1 billion by 1985, which almost certainly makes it the biggest major growth prospect in retailing today.

The prospects are so dazzling as to have drawn down the really big guns. Outfits like Xerox, IBM, Digital Equipment and Control Data, which distribute their big-ticket computers and office equipment through huge direct sales forces, are opening specialty retail stores to sell less expensive desktop models at prices ranging from under $1,000 to $20,000 apiece.

While IBM won't divulge how many retail stores it plans, it recently opened outlets in Philadelphia and Baltimore. These IBM product centers, as they're called, will offer a broad line of office equipment as well as the company's smallest computer system, which carries a price tag of $13,500. Depending on the success of its present stores, IBM could open scores of retail outlets in big metropolitan areas to complement its direct sales force.

Xerox, which already has opened 14 stores, plans 24 more this year and possibly hundreds by 1985. Unlike IBM, Xerox will sell computers made by Apple as well as its own. Digital Equipment has 25 stores, and Control Data plans to expand its retail computer outlets from 2 to 100 this year alone.

Computer outfits like Apple and Commodore International are distributing through consumer electronics chains (Computerland, Byte Stores and MicroAge among them) and the independent computer retailers. Electronic computer toy manufacturers, which also stand to cash in on the boom, are selling their video games through J.C. Penney, Montgomery Ward, Sears, Roebuck and the like. And ready to mount their own assault on the U.S. retail computer market are the Japanese—Nippon Electric, Sord, Sanyo, Sharp and Panasonic.

To gird against the assaults by both the U.S. computer giants and the Japanese, Tandy is opening a nationwide chain of specialty computer stores. Tandy will continue selling computers through its consumer electronics Radio Shack stores, but Tandy's president, John V. Roach, is pinning his future hopes on the so-called Radio Shack Computer Centers. Roach plans to add 50 to the company's existing 150 computer stores by year's end, and he will maintain that pace through 1984. Competition? Roach breezily brushes it aside. "For a competitor to threaten the company," he says, "it would have to stop the growth of our business, and that possibility just doesn't exist right now."

With so many new players getting into the retail computer

The do-it-yourself boom

New housing construction may be suffering its worst slump in five years, but, as always when the economy slumps, fixing up the old nest is a booming business. Retailers selling do-it-yourself to homeowners rang up sales of about $50 billion last year, up from $30 billion in 1977. And it's estimated that the industry will grow to over $90 billion by 1985, making it the biggest and fastest-growing specialty market after computer retailing.

"As inflation pushes up the cost of housing, homeowners are adding rooms and renovating rather than buying bigger dwellings," says E.L. McNeely, chairman and CEO of Wickes Co., the ($3.5 billion sales) San Diego, Calif.-based building supplies retailer.

Home improvement retailers such as Wickes, Color Tile, Standard Brands Paint, Payless Cashways, Scotty's, Evans Products, Lowe's Cos. and Hechinger are opening new stores at a rapid clip to attract hard-pressed homeowners squeezed out of new housing and unwilling or unable to plunk down $25 to $40 an hour to hire carpenters, plumbers and electricians to do the work for them.

Fix-up time at Color Tile.

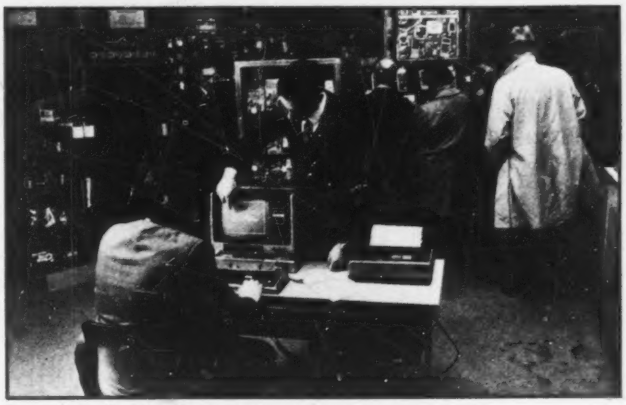
Business has been so good that it's attracting the forest products giants (Boise Cascade, Louisiana-Pacific, Union Camp and Georgia-Pacific), which increasingly are selling lumber, insulation, roofing, wallpaper, plumbing and electrical supplies directly to the consumer. With only 35 stores in 1977, Boise Cascade, for example, now has 103 retail building materials centers, and it plans to open another 20 to 30 stores. Louisiana-Pacific recently entered this market as well, buying 8 large home improvement stores from Lone Star Industries.

What's attracted the forest products giants is basic. Home improvement retailing is more profitable and faster-growing than the high-volume, low-margin wholesale lumber business. Scotty's Payless Cashways, Pay 'N Pak and Hechinger have reported average earnings gains of more than 20% a year since 1975, and Ft. Worth, Tex.' Color Tile not only has an average 44% annual earnings gain over the past five years, but also boasts a handsome 34% return on equity.—N.G.

game, buying a computer will soon be as convenient as shopping for a television or refrigerator. "We are just now entering the decade of electronics and there's room for a lot of companies," says Roach. "Given how big this business is getting, we think we can improve our market share and growth rate despite the competition."

In addition to Tandy and the others, it's estimated that an additional 30 or more small computer makers (Cado Systems, Vector Graphic and Data General, among them) are selling through retail stores, according to Dataquest, a Cupertino, Calif.-based market research outfit.

While lots of computers eventually will wind up in the home, a large number will also end up sitting on the desks of business managers using them for purchasing, inventory control and tracking receivables. The computer retailers are setting their sights on the 15 million small businesses in the U.S. with revenues under $1 million, and the more than 10 million managers working in larger companies. It's no wonder the retail computer store has come of age.—**Nick Galluccio**



Tandy's Radio Shack Computer Center
As easy as buying a television or refrigerator.

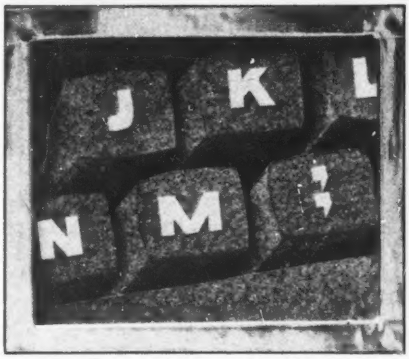
Specialty retailers

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Drug chains												
Longs Drug Stores	22.3%	**1**	20.5%	0.0	20.4%	**1**	22.3%	3.3%	17.9%	**7**	16.5%	**9**
Revco D S	21.4	**2**	20.2	0.2	16.9	**5**	17.6	3.6	22.5	**4**	23.3	**3**
American Stores	21.2	**3**	20.1	1.3	9.2	**4**	17.8	0.9	42.1	**1**	25.6	**1**
Rite Aid	21.1	**4**	20.2	0.2	17.8	**3**	18.5	3.7	19.7	**5**	23.7	**2**
Pay Less Drug NW	20.1	**5**	19.6	0.6	12.4	**6**	14.8	2.3	19.4	**6**	18.4	**5**
Jack Eckerd	19.2	**6**	19.3	0.0	18.5	**2**	18.7	4.5	24.4	**3**	18.0	**6**
Pay'n Save	17.7	**7**	15.1	0.7	10.8	**7**	13.8	2.5	25.2	**2**	16.6	**8**
Walgreen	16.1	**8**	19.5	0.5	14.1	**8**	11.4	2.3	6.6	**11**	16.9	**7**
Peoples Drug Stores	13.8	**9**	17.0	0.6	13.6	**9**	11.3	1.5	12.1	**9**	20.7	**4**
Thrifty Corp	12.6	**10**	14.8	0.9	9.8	**10**	9.2	1.6	12.2	**8**	9.0	**10**
Gray Drug Stores	10.7	**11**	3.5	1.3	4.2	**11**	8.7	0.4	10.3	**10**	6.0	**11**
Medians	**19.2**		**19.5**	**0.6**	**13.6**		**14.8**	**2.3**	**19.4**		**18.0**	
Nondrug specialists												
Tandy	47.5%	**1**	43.5%	0.8	26.4%	**3**	27.1%	8.3%	25.6%	**4**	51.7%	**3**
Service Merchandise	33.4	**2**	17.1	1.1	10.5	**5**	23.4	2.1	42.8	**1**	41.4	**4**
Avon Products	32.1	**3**	28.1	0.0	27.2	**1**	31.3	9.6	12.3	**14**	11.3	**14**
Best Products	30.4	**4**	21.3	1.2	8.9	**6**	22.5	2.1	38.2	**2**	53.6	**2**
Toys "R" Us	30.2††	**5**	18.9	0.3	16.2	**10**	15.0††	5.0	**		**	
Petrie Stores	29.4	**6**	23.2	0.0	23.2	**2**	29.4	10.4	15.2	**8**	19.6	**9**
SCOA Industries	29.4	**7**	28.6	1.0	16.5	**8**	17.3	3.3	15.1	**9**	64.3	**1**
Melville	28.7	**8**	25.0	0.2	23.7	**4**	26.9	4.8	19.8	**5**	22.2	**7**
Edison Bros Stores	24.6	**9**	19.3	0.2	16.3	**7**	20.4	5.1	13.0	**12**	22.2	**6**
Modern Merchandising	19.7	**10**	6.6	1.4	5.2	**11**	13.9	0.9	31.6	**3**	20.2	**8**
Morse Shoe	19.0	**11**	16.0	0.5	11.7	**9**	16.8	3.6	14.6	**10**	28.3	**5**
Gordon Jewelry	15.7	**12**	14.8	0.4	12.3	**12**	13.2	5.1	16.1	**7**	16.9	**11**
Levitz Furniture	14.5	**13**	12.7	1.1	8.6	**18**	9.7	3.1	8.4	**17**	16.0	**12**
Brown Group	14.4	**14**	16.0	0.4	12.7	**13**	11.5	3.6	9.7	**16**	11.6	**13**
ARA Services	12.8	**15**	12.7	0.4	11.2	**16**	10.4	2.3	14.1	**11**	7.6	**16**
Saga	12.8	**16**	12.0	1.1	7.7	**15**	10.7	1.0	18.9	**6**	5.9	**17**
Wickes Companies	12.5	**17**	4.7	1.0	4.6	**19**	8.1	0.7	12.4	**13**	19.6	**10**
Beneficial Corp	12.4	**18**	8.3	3.3	4.1	**20**	6.1	3.2	8.2	**18**	2.5	**19**
Zale	12.1	**19**	14.0	0.3	12.0	**14**	10.8	5.2	9.9	**15**	8.6	**15**
Lane Bryant	11.7	**20**	11.6	0.2	10.0	**17**	10.0	2.9	3.9	**19**	4.1	**18**
Genesco	def	**21**	2.0	1.4	4.2	**21**	def	0.6	–4.9	**20**	D–D	**20**
Medians	**19.0**		**16.0**	**0.5**	**11.7**		**13.9**	**3.3**	**14.4**		**18.3**	
Industry medians	**19.1**		**17.1**	**0.6**	**12.2**		**14.4**	**3.2**	**15.1**		**18.0**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
††Three-year average. D-D: deficit to deficit. def: deficit. **Not available; not ranked.

IBM is once more poised to advance information technology. It is such innovativeness that enables the U.S. to keep its unchallenged technological lead over the rest of the world.



Computers

OUTSIDE OF AGRICULTURE, INFORMATION TECHNOLOGY is the only key economic area where America still has a commanding international lead. Unlike smokestack America, computer America is as efficient, productive and innovative as ever. Hundreds of new computer-related companies continue to spring up, finding niches in the market ignored by the major mainframe-computer makers or targeting in on an existing product of one of the majors and beating it in price or performance.

The key to this vitality is giant International Business Machines, which earned an estimated $3.4 billion last year on $25 billion in sales and which now spends about $1.5 billion annually on research and development. Unlike the myopic, stagnant, trade-protection-seeking goliaths in steel, autos and oil, IBM for all its size remains vibrant, daring and potent. IBM has continued to emphasize pure research, kept it alive and well in its laboratories at a time when many companies dedicated to pure research have begun to take a more practical, more bottom-line-oriented approach.

The impact of IBM's pioneering is visible in the marketplace. Unlike its competitors, who must bet their companies' or at least their executives' reputations on narrower approaches, IBM's management often has a choice of technologies. IBM has twice revolutionized the computing business with its sweeping new-product introductions: in the Sixties with its System 360 and in the late Seventies with its 4300 series. Each innovation lowered the price of computing and changed the way computers were used.

Now IBM is launching its H series, a group of large-scale computers that should have a drastic impact on its competition. Eventually, the H series should grow into a family of computers, ranging from a middle-size model only slightly larger than the 4300 series of 1979 to superfast computers needed for the largest research projects. The H series will be an awesome achievement, but far from overwhelming its competitors, it is likely to touch off an explosion of further innovation and technological advance.

In the past, IBM's older mainframe competitors such as Burroughs, NCR, Honeywell and Sperry have preferred to find product niches safe from IBM's competition, developing their own architecture, for example, so that IBM computers could not talk directly to theirs. The response was understandable. More than 50 computer firms have failed trying to compete with IBM, and the surviving firms were conservative. Instead of seeing computer communication as an opportunity to take business away from IBM, they saw it as a risk to their own. It was such small new companies as Amdahl, with no old business to lose, that pioneered making interchangeable, IBM-plug-compatible equipment. For their daring, such companies were rewarded with soaring revenues and profits.

But now at Burroughs, Honeywell, NCR and Sperry, talk abounds of introducing products that can communicate with IBM computers. What IBM does, the competition of necessity must match or exceed. The H series will stress modular, interchangeable parts and hardware, and its rivals must match it. The H series will also stress communications capabilities, and its rivals must match that as well. They have no choice. More of the H series will hit the market just as Satellite Business Systems, owned by IBM, Comsat and Aetna, starts up in 1981. The new system will dramatically reduce the cost of computers talking to each other all over the world. So unless IBM's competitors' machines can talk with IBM machines and draw on the incredible amount of data stored in IBM language, they will be mute and lose out very quickly. This means IBM's rivals will have to produce new systems. Competitors who fail to invest in them simply will not survive.

The increasing cheapness, versatility and sophistication of computing power created by the H series and its competitive responses should bring in a new wave of computer use. The electronic office and electronic mail, more automated produc-

Computers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Storage Technology	29.0%	1	26.7%	0.8	17.1%	5	17.9%	7.8%	44.0%	2	48.6%	1
Wang Laboratories	27.2	2	34.8	1.0	19.3	6	17.7	9.5	38.9	3	39.0	3
Amdahl	23.3†	3	4.2	0.4	4.4	1	27.1†	2.5	33.4‡‡	5	–19.2‡‡	12
Data General	23.0	4	20.8	0.2	19.2	3	21.4	8.4	46.5	1	34.5	4
Memorex	23.0††	5	def	0.7	def	9	12.8	def	26.1	6	D–P	

Note: Explanation of Yardsticks calculations on page 49.
†Four-year average. ††Three-year average. ‡‡Three-year growth. D-P: deficit to profit; not ranked. def: deficit.

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
IBM	22.4%	6	22.3%	0.1	20.4%	2	21.5%	13.2%	13.1%	10	13.3%	11
Hewlett-Packard	18.7	7	21.4	0.0	20.6	4	18.1	8.7	23.3	7	22.7	6
NCR	18.2	8	15.6	0.2	13.6	8	13.8	7.3	8.8	12	41.1	2
Digital Equipment	17.9	9	17.5	0.3	14.9	7	15.9	10.3	37.2	4	34.1	5
Sperry	14.8	10	15.1	0.2	11.1	11	10.8	5.8	10.2	11	14.8	9
Burroughs	14.5	11	13.3	0.1	12.0	10	12.8	9.6	13.5	9	14.9	8
Honeywell	13.4	12	13.2	0.2	10.0	12	10.1	4.6	8.6	13	14.7	10
Control Data	8.8	13	11.3	0.4	8.5	13	6.7	3.7	13.7	8	15.8	7
Industry medians	18.7		15.6	0.2	13.6		15.9	7.8	23.3		19.3	
All industry medians	15.8		16.1	0.4	11.0		11.1	5.0	14.3		13.9	

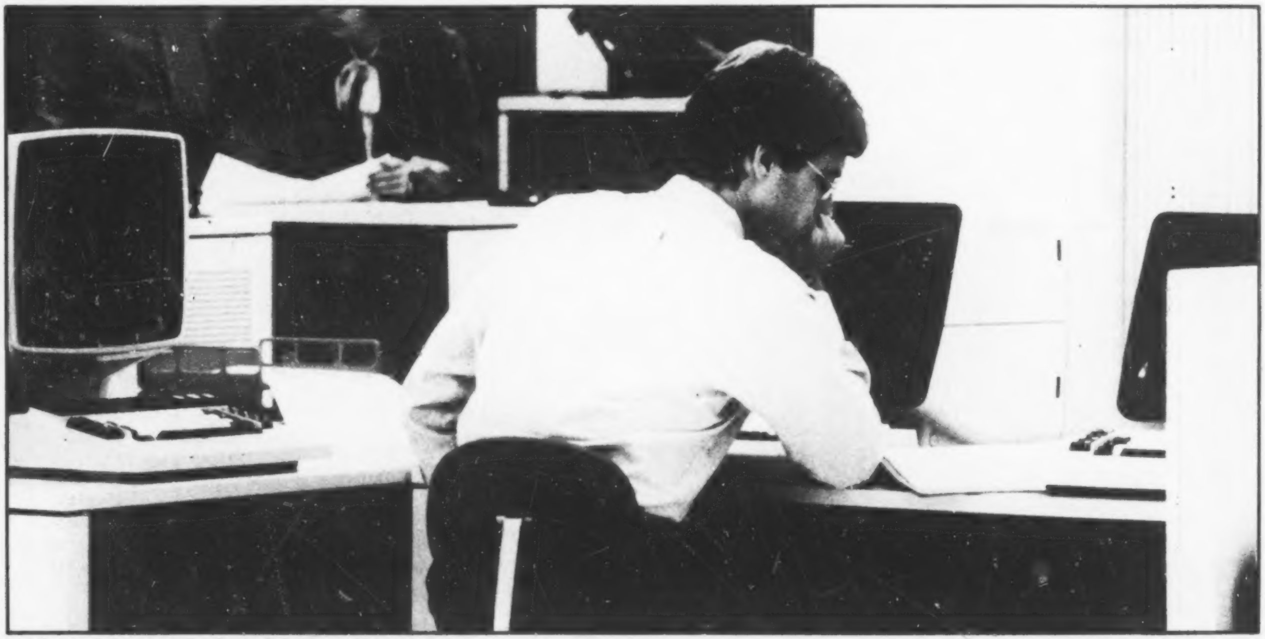
Note: Explanation of Yardsticks calculations on page 49

tion processes, computer-assisted instruction in schools, instant credit analysis in retail stores and banks, and myriad other undreamt-of uses are foreseeable. These should also send IBM's profits surging from 1980's record.

All IBM rivals will be severely challenged next year when the H series hits, with incalculable consequences. "The H will test the price elasticity of the market because the cost of computing power will go down across the board," predicts Harry Edelson of Edelson Technology Associates. "There will be considerable margin pressures. While rivals try to respond to IBM's technology, they must stay competitive in price-performance. The H will be the highlight of 1981 as everyone tries to reposition themselves versus the industry leader."

Progress unquestionably. And it should continue to keep U.S. technology ahead of the pack.

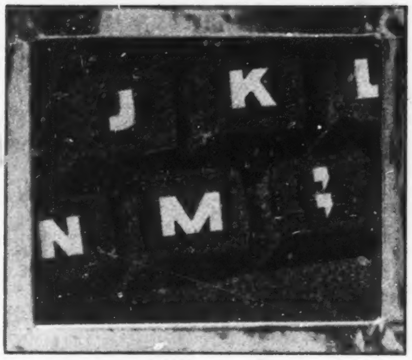
Ironically, the only real threat to IBM's position comes not from its competition but from the Justice Department. On his last day in office 11 years ago, Attorney General Ramsey Clark filed an antitrust suit against IBM whose stated object is to break up the company into several competing parts. Short term, the plan sounds alluring. A fractured IBM would create more competition and result in lower short-term prices and profits. Long term, however, it would probably mean higher relative prices insofar as it would dissipate IBM's power in the market—a power IBM has always used to knock down costs and expand the market for its products. By destroying IBM's vast technological capability, such a plan would also probably blunt the U.S.' last surviving technological edge, something the U.S. can no longer afford to put in jeopardy in these troubled times.—**Robert J. Flaherty**



IBM's Model 3081, the first of the new H series

In computers, IBM is still able to call the tune.

As the office of the future becomes the office of the present, a titanic battle for ultimate market dominance is taking shape.



Office equipment

MOST OFFICE WORKERS STILL OPERATE with a telephone, a typewriter, a metal file cabinet or two and a mail basket. But put a $1,000-a-month typist in front of a word processor with its own electronic memory, and not only does retyping become a thing of the past, but much of the typist's routine work is reproduced automatically by the machine at the push of a button or two, sending her productivity up maybe 40%. Hook a similar machine to the company's computer bank, and electronically stored data will link all the machines together so people can fire off instantaneous messages to each other, eliminating the mail's delay and the telephone's temporizing, and the efficiency gains are little short of breathtaking.

Such is the office of the future, and the productivity gains it offers have convinced Xerox, IBM and a host of smaller but not necessarily less sophisticated companies that office automation affords one of the biggest growth opportunities in U.S. industry today. "For big business, achieving a 15% gain in white-collar productivity," says David E. Liddle, vice president of Xerox' office products division, "is equivalent to a 30% increase in operating growth." Advancing arguments like that has helped turn Xerox—encompassing computerized and computer-related equipment—into an $8 billion business, and that's just the beginning. Liddle's object, of course, is to see as many of those typists and executives as possible end up sitting in front of Xerox word processors like the 860 system.

But it's likely to be an uphill battle. Looming behind Xerox and everybody else rushing to get into this vast new market is IBM, which is also a major supplier of office equipment. IBM recently announced its Displaywriter word processor, and competitors—like Xerox, Digital Equipment, Lanier, Olivetti, A.B. Dick and a host of others—began slashing prices in the hope that customers would rather buy now from them than wait for the Displaywriter, on which IBM was recently quoting a 38-week delivery.

The edge was worth fighting for. IBM intended to go Xerox and company one better and provide ways to link Displaywriter and other stand-alone office machines to corporate data bases, and to store and transmit numerical data along with words. IBM's Systems Network Architecture would also allow it to fold in electronic filing (and instantaneous cross-indexing) and electronic mail. The way IBM sees it, according to the office products division's vice president of marketing, Dan McGlaughlin, office automation would eventually become one with data processing and transmission for large customers. Under that scenario, the office of the future would be introduced by present EDP managers. Since they are, by and large, IBM's biggest and most dependent fans, IBM would have a huge marketing advantage.

To bypass the EDP manager (and to weaken IBM's controlling hand), Xerox has shrewdly attacked from the opposite direction with Ethernet, a scheme for linking the computers and office devices by a simple coaxial cable. Created in partnership with Digital Equipment, the biggest maker of minicom-

Office equipment and services

Yardsticks of management performance

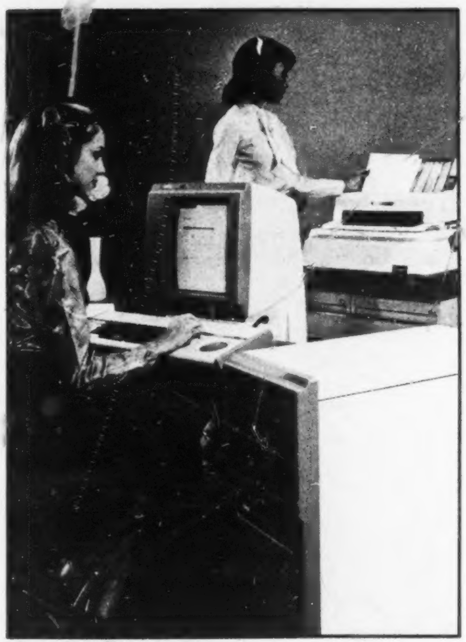
	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Savin	47.3%	1	23.8%	0.8	14.7%	1	35.5%	5.5%	36.3%	1	101.3%	1
Computer Sciences	40.3	2	32.8	0.9	19.6	5	18.2	4.8	18.3	4	D–P	
Kelly Services	28.5	3	25.2	0.0	25.3	2	28.5	3.5	23.5	3	26.5	3
Electronic Data Syst	22.2	4	23.2	0.1	20.7	3	20.1	7.9	17.8	5	7.0	8
Auto Data Processing	21.8	5	20.3	0.2	16.1	4	19.5	8.3	27.6	2	21.9	4
Pitney Bowes	19.7	6	19.7	0.4	13.4	8	13.8	6.0	16.1	7	32.0	2
Xerox	18.8	7	18.7	0.3	16.1	6	15.4	7.7	15.1	8	11.5	6
Moore Corp	18.2	8	18.5	0.2	14.9	7	14.3	6.0	14.2	9	9.0	7
Nashua	17.4	9	14.9	0.3	11.7	9	12.9	3.3	17.0	6	16.3	5
Bell & Howell	3.3	10	14.0	0.4	11.0	10	3.1	3.6	6.3	11	–16.0	10
AM International	2.5	11	1.0	0.5	2.0	11	3.1	0.2	7.4	10	–2.8	9
Industry medians	**19.7**		**19.7**	**0.3**	**14.9**		**15.4**	**5.5**	**17.0**		**13.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
D-P: deficit to profit; not ranked.

puters, and Intel, a leading computer-chip maker, Ethernet is a design, plus appropriate equipment, for creating an interconnected web of office devices inside a company without necessarily tying the system and machines together through the company's central computers.

Ethernet's rivals are or will be offering systems of their own, generally systems incompatible with one another. Each will have its own standards and protocols, the sets of rules and specifications that govern the form in which information is transmitted from machine to machine. Each hopes to impose its standards on part or all of the potential market because that would give it an edge in selling equipment, much as IBM long had in computers. Ethernet protocols have been published in the hope that other non-IBM competitors will copy them and give them more force in the marketplace.

So there's a chance Ethernet can escape the IBM juggernaut. Unfortunately, even Ethernet, the most promising competitor, has had to include a device to connect into IBM's Systems Network Architecture because IBM's installed base of equipment is simply too massive and ubiquitous to exclude without hurting sales. And translating equipment for linking up incompatible networks is improving, so the niches the companies build won't be as safe as the companies would like. Meanwhile, IBM's plans to expand communications through its joint venture, Satellite Business Systems, and to link up and computerize office functions are so vast that each part of the effort will be fair game for an alert competitor with an improvement.



The 860 office system

Xerox' new improved secretary.

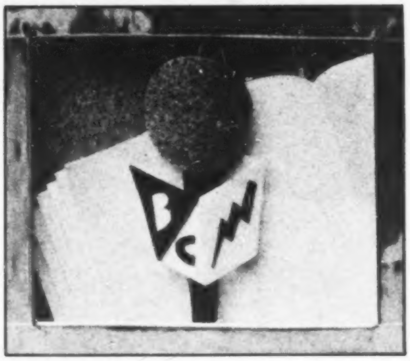
Overall, the prize is big enough to justify the gamble. But the smart betting is that whatever system IBM ultimately adopts will become the standard. That's the way it was, and is, in computers.

While all this is going on, a lively battle is also shaping up in copiers. In the high end, Xerox is taking care of itself very well. Its new, state-of-the-art 5700 not only copies and duplicates pieces of paper, but also does electronic printing, which creates an original from remote word processors or tapes. Two lesser products, the 5600 and the 8200, neatly bracket and, at least for the moment, halt the encroachment of IBM and Kodak in the high end of the copier market. But the Japanese continue to gain market share in the low end. In the cheap machines, no American manufacturer is cost-competitive, even inside the U.S. IBM, for example, is rumored to be about to buy Minolta-made machines for distribution inside the U.S. and Xerox is getting low-end machines now from Fuji Xerox.

The future for office equipment is a world of enormous, barely understood potential; a revolution in the way Americans conduct their business lives is brewing here. But already there is that cloud on the horizon, no bigger than a man's hand: abandoning the low end to the Japanese. American auto manufacturers did that long ago. Will IBM and Xerox find it any wiser a decision in copiers?—**Robert J. Flaherty**

Publishing is still an easy-entry business, but these days it's no longer easy to stay in.

Publishing



IT'S HARD TO FIND AN INDUSTRY that has been picked cleaner by the conglomerates than book publishing. G.P. Putnam's Sons, for example, has long since been absorbed by MCA; Simon & Schuster, by Gulf & Western.

The big question in publishing is how to prosper in these days of the multimedia deal, when the megabucks can be made only by turning a hardcover book into a paperback into a movie or some variation thereof. Not coincidentally, MCA also owns Universal Pictures; G&W owns Paramount.

One solution is to become more of a conglomerate. Take William Jovanovich, the outspoken onetime college textbook salesman who has headed Harcourt Brace Jovanovich for over a quarter-century. With more than 30 acquisitions under his belt, Jovanovich has tried to improve the company's earnings mix by broadening its publishing base to include such oddities as marine theme parks, a purveyor of classroom supplies like chairs and chalk and a purveyor of life and accident insurance.

There have been some mistakes along the way—Jovanovich unloaded his deficit-ridden, mass-market paperback Jove imprint on MCA, for example—but by and large the conglomerate approach has worked. HBJ's return on equity has been looking far better in the last couple of years than in the early to mid-Seventies. The leverage has been successful enough for Jovanovich to talk of HBJ moving into the light manufacture and assembly of products unrelated to its current lines of business.

Book publishing is still an easy-entry business. The best-seller paperback lists, for example, are peppered with offerings from such comparative newcomers as Ten Speed Press, Meadowbrook Press and Workman Publishing. "You could go into business tomorrow," says Robert Bernstein, chairman of the Newhouse organization's Random House subsidiary, "if you had ideas for two books and if you could find a distributor."

Maybe so, but it wouldn't take you very far. The marketing linkage between trade books, paperbacks, movies and TV has made publishing a high-stakes game. So, increasingly the focus is on the blockbuster, the book that may cost several million dollars in upfront royalties to a name author but may produce a multimedia payoff. Big subsidiary rights sales help take a lot of the risk out of the game.

New American Library, for example—a subsidiary of the Times Mirror empire—paid just under $3 million for the paperback rights to two books by Robin Cook, *Sphinx* and *Brain*. That record didn't last. It was topped by the $3.2 million Crown got from Bantam Books for paperback rights to Judith Krantz' *Princess Daisy.*

Hardcover bestsellers at a B. Dalton bookstore

The paperback, the movie, and then. . . .

Princess Daisy is one of the richest demonstrations yet of how hardcover books have become the software for the multimedia packagers. Crown put $400,000 up front for *Princess Daisy*, and gave up a good chunk of the paperback rights to the author. Even so, it presumably came out well ahead of the game with that $3.2 million paperback sale to Bantam. Foreign hardcover and paperback rights to the book have already brought in over $2 million, with more to come. Still down the road is a yeasty movie deal, probably with TV or cable TV riders attached.

The transformation of book publishing from what was basically a cottage industry to one dominated by a dozen or so conglomerates pivots on economies of scale. Bantam could afford to put up $3.2 million for its piece of *Princess Daisy* partly because in press runs of a million or more it can probably print the book at a per-copy cost in the neighborhood of 35 cents. On a book that would sell only 100,000 copies, say, unit production costs would be somewhat higher.

Princess Daisy, of course, could have been a bomb. Bantam could afford to take the risk because as a subsidiary of Bertelsmann, the big German publishing conglomerate, it has potential access to some very deep capital pockets indeed. If the book had flopped, the cost would have been maybe a couple of cents a share to Bertelsmann. A small independent taking the risk could very well have been wiped out by a failure. The risks have become so high that many publishers are pulling back. McGraw-Hill is clearly backing away from trade books. RCA recently sold its Random House subsidiary, probably the industry's most prestigious company. Harper & Row has folded its Lippincott and Crowell trade hardcover lines into a single Harper imprint. The move was a prelude to sizable staff cuts and a planned shrinkage on the trade book side of the business. The competitive pressures are less intense on the textbook side and that is the marketing basket in which the independents are placing an increasing share of their hopes.

There is still room enough for tightly run independents and specialty houses to make something out of bread-and-butter midrange books that the megapublishers no longer seem very much interested in publishing. On form, though, it looks as though the big ones have no choice but to go right on getting bigger or selling out of the business.—**Richard Phalon**

Publishing

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Dow Jones	30.7%	**1**	28.6%	0.1	25.3%	**1**	27.8%	10.5%	15.7%	**9**	14.7%	**13**
Deluxe Check Printers	26.9	**2**	27.2	0.0	25.4	**3**	25.1	10.4	15.4	**12**	17.0	**11**
Washington Post	26.6	**3**	20.0	0.1	17.2	**5**	20.0	5.2	15.5	**11**	31.1	**3**
Dun & Bradstreet	26.4	**4**	29.5	0.0	28.8	**2**	26.4	8.8	12.5	**15**	13.4	**16**
Interpublic Group	23.8	**5**	20.5	0.3	16.7	**4**	22.7	4.8	16.1	**7**	20.8	**5**
Capital Cities Commun	21.9	**6**	22.8	0.3	18.7	**10**	16.7	15.2	21.8	**1**	24.1	**4**
Times Mirror	20.8	**7**	18.2	0.3	13.8	**8**	18.2	7.4	15.7	**10**	19.5	**6**
Gannett	20.6	**8**	20.9	0.2	18.3	**7**	18.6	12.4	21.0	**2**	17.7	**10**
McGraw-Hill	20.0	**9**	21.4	0.1	19.3	**9**	17.4	8.5	10.5	**16**	19.2	**7**
A C Nielsen	19.8	**10**	18.8	0.0	19.2	**5**	20.0	5.9	17.7	**4**	15.7	**12**
Equifax	18.8	**11**	16.8	0.2	13.4	**11**	16.1	2.8	8.3	**19**	3.1	**18**
Meredith	17.7	**12**	19.1	0.3	12.4	**16**	12.1	6.4	13.2	**14**	43.0	**2**
Time Inc	17.4	**13**	14.0	0.4	10.4	**14**	13.5	5.2	20.9	**3**	18.3	**8**
Knight-Ridder News	16.8	**14**	16.2	0.1	15.0	**12**	15.4	8.3	15.9	**8**	17.9	**9**
New York Times	15.7	**15**	19.0	0.1	16.3	**13**	13.8	5.8	9.6	**17**	13.6	**15**
Harcourt Brace Jovan	15.1	**16**	17.9	0.6	12.2	**17**	11.6	5.1	16.8	**6**	9.2	**17**
R R Donnelley & Sons	14.9	**17**	15.1	0.0	13.3	**15**	13.4	6.3	14.9	**13**	14.2	**14**
Arcata	13.3	**18**	11.6	0.6	7.4	**18**	9.6	3.8	17.1	**5**	54.4	**1**
Playboy Enterprises	7.3	**19**	12.8	0.2	10.9	**19**	6.7	3.8	8.7	**18**	–2.6	**19**
Macmillan	def	**20**	def	0.5	def	**20**	def	def	4.3	**20**	P–D	**20**
Industry medians	**19.3**		**18.9**	**0.2**	**15.7**		**16.4**	**6.1**	**15.6**		**17.4**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

Thor(n) in the publishers' side

What does a maker of rock drills, impact wrenches and concrete-cutting saws have to do with the publishing industry? Enough to cause the destruction of millions of books, increased costs and higher hurdles for would-be authors to cross. It's like this:

Back in 1971 the Thor Power Tool Co. of Aurora, Ill. took the Internal Revenue Service to court over the tax treatment of excess inventories stored in the company's warehouse. The IRS maintained that those stocks could not be written down for tax purposes unless they were either sold at reduced cost or destroyed. Thor thought otherwise. In 1979 the tax man won in the U.S. Supreme Court, and the IRS issued a ruling last February applying the Thor decision to *all* companies.

As it happened, a number of publishers accounted for books the way Thor accounted for rock drills, and that translated into millions of lost dollars. Take, for example, Prentice-Hall, the $282 million (revenues) textbook publisher headquartered in Englewood Cliffs, N.J. Over the past few years P-H took a $3 million writedown of some 1.4 million college, elementary and high school texts. Under its old accounting practices, the publisher could have still hung on to the books—now carried at zero value for tax reasons—on the chance that they might be sold later at their retail value of $15 to $20. But no more. Under the February IRS action, the company now has to establish a value for the books it wrote off, either by selling them at reduced prices (remaindering) or by destroying them. Or, P-H could pay back the $1.5 million tax credit on the $3 million writeoff. The publisher has opted to shred the books.

"There's no question about it," warns Leo Albert, the white-haired P-H director who is also chairman of the 325-member Association of American Publishers, "a lot more books will be destroyed as a result of this ruling." But Albert points out that the paring of overstock will be a onetime cost; in the future, publishers will look more carefully at a book's sales potential and will print only enough copies to meet the sure-sell requirements. Alternatively, they might simply raise the price to cover the increased inventory cost. Marginal books, such as an author's first novel, might not get published at all because there's no assurance the market is there. "That," concludes Albert, "is a restriction on the free flow of information, no matter how you look at it."

It's hardly more of a restriction than a publisher's decision not to publish on other grounds, but New York Senator Patrick Moynihan intends nonetheless to introduce a bill that would exempt publishers from the ruling. How many publishers are affected by Thor, and how badly, is still anybody's guess, however.

McGraw-Hill and John Wiley & Sons, among others, won't be affected much at all because they decided to comply with the IRS wishes when Thor was still in court. Then too, publishers who use LIFO accounting aren't affected at all because under that system you don't take deductions for reserves because you don't create reserves.

Little wonder then that Townsend Hoopes, AAP president, believes gaining special treatment for publishers "is going to be a very uphill fight. We'll have to prove that books are different. There's a cultural dimension here, and it ought to be public policy to encourage the retention of old books because otherwise the backlists are going to dry up."

At least one major New York publishing executive thinks the AAP is after a highly discriminatory special rule. "You don't have to keep 2,000 copies of a book to preserve the cultural backlist. Besides, if you go to a warehouse and see 10,000 copies of *Forever Amber* [the steamy 1945 Kathleen Winsor romance novel], there's no cultural reason why you shouldn't chop up all but a hundred."—Jeff Blyskal

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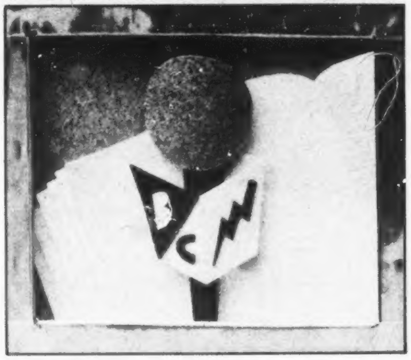
Last year, advertising outlays seemed finally to have become recession-proof. But, for the networks, earnings were nonetheless down.



Broadcasting

FOR YEARS, MADISON AVENUE HAS BEEN TRYING to convince the nonbelievers in Wall Street that advertising spending has indeed become recession-proof. In 1980 it finally proved the point.

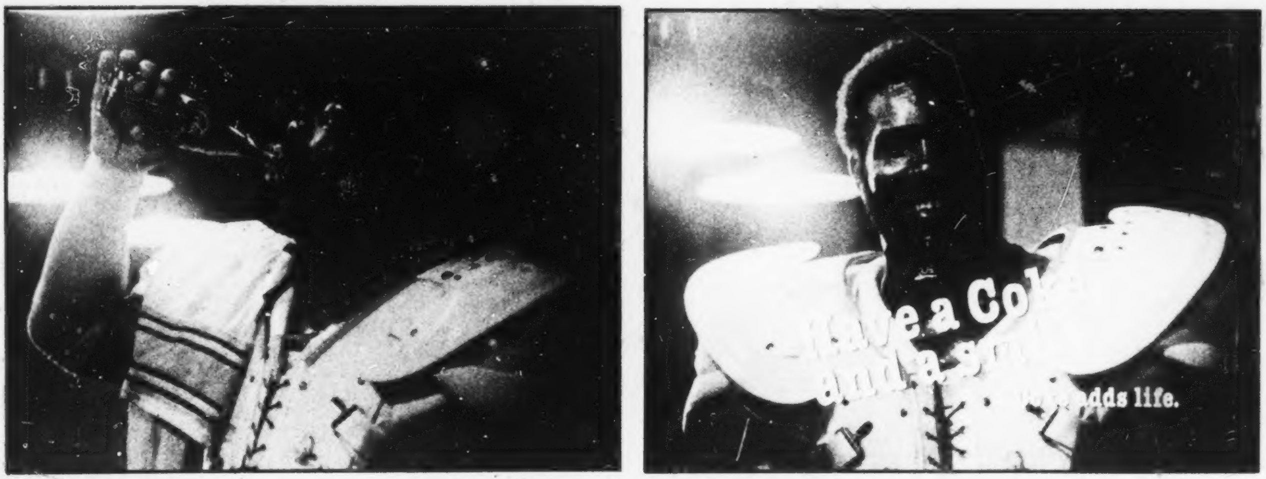
For at least the last two decades, the advertising budget has been one of the first places where cost-conscious corporate managers looked for economies. Last year, though, while the GNP headed for the cellar in one of the sharpest recessions ever, advertising spending rose by about 11%, *vs.* the 13% gain in nonrecessionary 1979. Sharpening competition was the major catalyst.

"Everyone was pressing for market share," explains Robert J. Coen, a senior vice president with McCann-Erickson, Inc., one of New York's most successful advertising agencies, "or willing to spend more money to protect what they had."

Nobody knew why the corporate managers had changed their strategy in a recession, but change it they apparently had, and Wall Street responded to the new dispensation by marking up prices on advertising agency issues to the point where they were moving almost twice as fast as the market as a whole. One estimate is that agency earnings were up by something like 10%.

Perversely, though, the bulge in billings that helped gussy up the Madison Avenue image in The Street did not in most instances trickle down to the bottom lines of the publishers and broadcasters who rely so heavily on advertising for their daily bread.

Ad managers were willing to spend money all right, but it



Mean Joe Green sips a Coke

Corporate strategists are betting that advertising adds life to recession-threatened businesses.

was being spent charily. Which is to say that the networks in particular, which are now getting as much as $500,000 for a minute of prime time, were not able to jack up prices with the abandon of other years. After all, advertising outlays might not prove as recession-proof as they seemed.

The usual war of nerves between the advertising buyers and the networks on so-called "upfront" time—programming bought in advance of the September-to-September season—lasted well beyond its customary denouement in June and continued on into late fall.

But the buyers' feet-dragging was hardly the worst of it.

The Screen Actors Guild strike added to the uncertainties by curtailing production on new programming. The main reason why the new season was slow to take financial shape, however, was plain old price resistance. "They're saying, 'We never used to sell more than 60% upfront anyway, and now we're at 76% so that's a good number,' " noted one securities analyst, who was bemused by the cheery face the networks were putting on. "Two years ago they would have slit their throats if that had happened."

In the end, as with most toughly contested negotiations, everybody received a little something: Rates did go up, but not anywhere near as much as the networks had hoped. Their profit margins showed it, and probably will be soft again this year, according to such industry analysts as Ellen Berland Sachar of Goldman, Sachs.

On the revenue side, the networks are clearly pushing against the ceiling. McCann-Erickson's Robert Coen, for example, thinks the broadcasters will be lucky this year to walk away with anything like even the modest rate increases they took off the table last year. "They will just have to cool it," Coen says bluntly.

At the same time, programming costs—especially the cost of talent—are likely to keep right on rising at a fairly high rate. Blockbusters like the made-for-television movie *Shogun*, for example, can cost upward of $1.5 million an hour to produce. The way the wind has been blowing, it's going to become increasingly difficult for the networks to get that kind of money back at anything like the comfortable margins they used to enjoy.

So far the networks have been slow to respond to the force that may prove as great a threat to their advertising revenues as any recession—cable television. "The consensus is that the country is going to be wired," says Merrill Lynch analyst Edward E. Dunleavy. "Anybody who is in communications had better be in cable, if only to protect a traditional market." But the networks are still not so sure. And the prices for acquisitions would certainly be high. After all, cable television stocks are probably as overvalued these days as the stocks of the networks themselves are undervalued.—**Richard Phalon**

Broadcasting

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Metromedia	30.7%	1	39.0%	1.0	19.2%	3	17.5%	11.7%	13.7%	4	35.8%	1
Amer Broadcasting	23.6	2	19.8	0.3	16.5	2	18.3	6.9	14.5	3	28.3	2
CBS	23.0	3	17.5	0.1	15.1	1	19.6	4.8	15.0	2	15.1	4
RCA	17.7	4	15.3	0.9	11.0	4	11.7	3.9	9.6	5	26.1	3
Outlet	11.6	5	0.6	0.9	3.7	5	9.3	0.4	23.1	1	9.2	5
Industry medians	**23.0**		**17.5**	**0.9**	**15.1**		**17.5**	**4.8**	**14.5**		**26.1**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

How do the middle-ranking companies in FORBES' 106 industry groups and subgroups compare in terms of growth and profits?

Who's where in the industry groups

PRODUCTIVITY HAS ALREADY BECOME one of the catchwords of the Eighties. The tables below give some surprising insights into the productivity of American business in the use of its capital. They show that—despite inflation and recession—the 1,041 companies included in this year's Report on American Industry are stretching both their shareholders' dollars and their borrowed funds further than in years.

Over the first half of the Seventies, for example, FORBES' all-industry medians for return on equity averaged 11.6% while return on total capital was 8.6%. In those days, the most profitable industry was consumer goods-personal products, with an average five-year ROE of 17.4%.

By contrast, over the most recent five years, the all-industry median ROE was 15.8% and the median return on total capital was 11.1%. True, recessionary pressures over the past 12 months cut the total-capital figure down slightly for last year. But all in all, these representative big U.S. businesses got 36% more return on their shareholders' dollars in the second half of the decade than they did in the first half from about the same leverage: The median debt-to-equity ratio, then and now, was about 0.4, while the median net profit margin, 3.9% then, has grown to 5%. All of which suggests equities may really be the inflation hedge they were or are said to be.

The tables also give a detailed picture of comparative profitability and growth of different industries. There are some surprises here, too. Broadcasting, of course, is far and away the most profitable industry in return on equity—no surprise. But look at electrical equipment: It's now the most profitable of all in the ultimate measure, return on total capital. At the bottom of the list, industries like apparel, railroads, airlines, copper and steel have traditionally shown low ROEs—again, no surprise. But look at the shoe industry subgrouping under apparel. It has a sparkling 17.6% ROE over the last five years and an even better record over the last 12 months.

Moreover, some of those low-profit industries had a much improved year last year—railroads, for example, and copper—although the steel industry did not. Its profitability over the last 12 months was far below its five-year average.

These Yardsticks are designed to give the kind of overview many investors seek as the first step in portfolio selection: First select industries, then companies. The table ranks median or middle-ranking companies in all 49 industry groups in the same way as the 1,041 companies are ranked elsewhere in this issue. Many of the 49 groups are further broken down into subgroups—showing, for example, separate numbers for five different regional groupings of electrical utilities, as well as breakdowns on the three major kinds of insurance companies.

The results show which industries are the most profitable, which have the fastest earnings growth and which have shown the most promising trends in the latest 12 months. We use medians rather than averages to avoid distorting the results through abnormal windfall earnings at the top or staggering losses at the bottom. In short, these are the track records of companies in the middle of a group.

By comparing 12-month results with 5-year results, some conclusions can be drawn about cyclical industries just starting their turns, or trouble spots in others just beginning to show up. Return on equity in the computer industry, for example, ran behind its five-year average. The broadcasting industry's five-year averages in profitability are undeniably impressive, but over the latest 12 months, as the costs of programming mounted, they have been considerably below that high. The highly leveraged consumer finance companies, squeezed by high interest rates, fell behind. The thrifts were way down. So were retailers. By contrast, ethical drugs and aluminum are examples of industries that did better last year—sometimes much better—than they did over the last five years.

Comparing sales growth with earnings growth is a good way to determine how companies, and industries, cope with inflation. Among those where earnings did not keep pace were such profitable industries as drugs, tobacco, office equipment, toiletries and cosmetics. A brighter note: Some less profitable industries—including apparel, railroads and multi-industry companies—have steadily improved earnings in relation to sales.

Industry medians

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Industry	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Broadcasting	**23.0%**	**1**	**17.5%**	**0.9**	**15.1%**	**2**	**17.5%**	**4.8%**	**14.5%**	**21**	**26.1%**	**1**
Tobacco	**20.5**	**2**	**24.1**	**0.7**	**13.6**	**17**	**13.2**	**6.3**	**15.8**	**12**	**13.1**	**29**
Aerospace and defense	**20.0**	**3**	**18.2**	**0.2**	**14.1**	**13**	**13.8**	**4.1**	**14.3**	**24**	**22.7**	**4**
Electrical equipment	**20.0**	**3**	**18.7**	**0.2**	**17.2**	**1**	**18.1**	**6.1**	**14.1**	**26**	**14.3**	**23**
Office equipment and services	**19.7**	**5**	**19.7**	**0.3**	**14.9**	**6**	**15.4**	**5.5**	**17.0**	**8**	**13.9**	**25**
Leisure	**19.6**	**6**	**18.3**	**0.5**	**11.8**	**18**	**12.5**	**5.8**	**16.0**	**9**	**20.5**	**7**
Travel	14.9	—	19.2	0.7	11.8	—	8.6	5.0	13.7	—	20.5	—
Entertainment	23.7	—	19.3	0.3	15.9	—	19.4	8.8	16.7	—	21.6	—
Recreation	16.6	—	16.2	0.4	10.7	—	12.0	5.9	14.5	—	10.7	—
Food service	20.4	—	16.0	1.4	9.1	—	12.6	3.0	20.2	—	22.0	—
Drugs	**19.4**	**7**	**19.9**	**0.1**	**16.6**	**7**	**15.0**	**9.2**	**12.8**	**32**	**11.4**	**37**
Ethical drugs	21.4	—	21.9	0.2	19.0	—	18.2	12.8	13.5	—	12.5	—
Proprietary drugs	15.4	—	16.3	0.1	14.8	—	14.0	7.1	10.9	—	7.8	—
Toiletries and cosmetics	**19.4**	**7**	**19.1**	**0.2**	**14.8**	**7**	**15.0**	**7.0**	**14.4**	**22**	**12.0**	**33**
Energy	**19.3**	**9**	**24.7**	**0.5**	**15.7**	**15**	**13.3**	**5.7**	**20.8**	**3**	**17.2**	**13**
International oils	17.9	—	25.6	0.2	18.7	—	13.9	5.7	17.5	—	14.4	—
Other oil and gas	21.5	—	25.0	0.5	15.8	—	13.6	5.7	22.5	—	19.8	—
Coal	13.4	—	14.6	0.4	8.8	—	8.5	4.0	13.2	—	4.1	—
Publishing	**19.3**	**9**	**18.9**	**0.2**	**15.7**	**3**	**16.4**	**6.1**	**15.6**	**16**	**17.4**	**12**
Specialty retailers	**19.1**	**11**	**17.1**	**0.6**	**12.2**	**9**	**14.4**	**3.2**	**15.1**	**19**	**18.0**	**10**
Drug chains	19.2	—	19.5	0.6	13.6	—	14.8	2.3	19.4	—	18.0	—
Nondrug specialists	19.0	—	16.0	0.5	11.7	—	13.9	3.3	14.4	—	18.3	—
Truckers and shippers	**19.0**	**12**	**17.5**	**0.7**	**9.7**	**39**	**9.6**	**3.4**	**16.0**	**9**	**14.9**	**18**
Truckers	22.4	—	15.4	0.9	9.3	—	10.7	3.1	15.9	—	15.2	—
Other surface transportation	17.3	—	18.0	0.6	10.5	—	9.4	5.7	18.2	—	10.7	—
Insurance	**18.9**	**13**	**16.4**	**0.1**	**15.1**	**4**	**15.9**	**8.0**	**13.6**	**29**	**18.5**	**9**
Life	13.8	—	13.6	0.1	12.2	—	13.2	10.7	10.7	—	13.1	—
Fire and casualty	22.5	—	21.5	0.1	20.4	—	21.1	8.1	16.3	—	25.6	—
Multiple line	20.4	—	17.8	0.1	15.6	—	16.9	7.5	13.9	—	21.3	—
Computers	**18.7**	**14**	**15.6**	**0.2**	**13.6**	**4**	**15.9**	**7.8**	**23.3**	**2**	**19.3**	**8**
Consumer finance	**18.3**	**15**	**15.3**	**0.9**	**8.5**	**35**	**9.9**	**5.5**	**13.7**	**28**	**17.1**	**14**
Construction, mining, transport equip	**18.1**	**16**	**16.5**	**0.4**	**12.3**	**11**	**14.2**	**6.6**	**16.0**	**9**	**17.6**	**11**
Construction, materials handling	14.9	—	11.7	0.5	9.0	—	10.8	3.8	13.2	—	12.7	—
Mining and drilling equipment	20.5	—	20.8	0.4	15.6	—	15.5	9.3	21.7	—	24.3	—
Rail equipment	16.2	—	18.7	1.0	7.7	—	7.4	6.6	13.1	—	12.1	—
Health care	**18.1**	**16**	**19.3**	**0.4**	**12.6**	**18**	**12.5**	**6.8**	**19.5**	**6**	**22.7**	**4**
Construction contractors	**17.3**	**18**	**16.2**	**0.4**	**10.3**	**26**	**10.9**	**2.8**	**19.0**	**7**	**20.7**	**6**
Heavy construction	16.7	—	15.0	0.4	9.9	—	12.2	2.6	19.9	—	19.8	—
Home building	19.5	—	16.2	1.0	10.6	—	10.5	4.2	17.0	—	25.8	—
Electronics	**17.1**	**19**	**20.7**	**0.3**	**14.4**	**11**	**14.2**	**5.7**	**15.2**	**18**	**24.2**	**3**
Industrial equipment	**17.1**	**19**	**16.1**	**0.3**	**12.2**	**15**	**13.3**	**4.8**	**14.4**	**22**	**16.3**	**16**
Production equipment	17.5	—	16.9	0.4	13.0	—	13.2	5.3	14.4	—	18.0	—
Specialty equipment and materials	16.8	—	14.9	0.3	12.2	—	13.5	4.8	14.6	—	15.9	—
Chemicals	**16.9**	**21**	**16.7**	**0.4**	**11.5**	**21**	**11.8**	**5.6**	**14.7**	**20**	**13.6**	**26**
Diversified	13.6	—	14.4	0.4	10.9	—	9.9	5.0	13.2	—	8.4	—
Specialized	19.5	—	18.8	0.4	12.7	—	13.8	7.0	15.3	—	16.5	—
Aluminum	**16.5**	**22**	**21.5**	**0.5**	**13.8**	**32**	**10.3**	**9.2**	**14.3**	**24**	**24.7**	**2**
Branded foods	**16.2**	**23**	**15.2**	**0.4**	**11.4**	**20**	**12.0**	**3.3**	**12.3**	**35**	**12.9**	**30**
Diversified	15.8	—	14.7	0.4	10.5	—	11.8	3.1	11.4	—	12.6	—
Specialized	16.8	—	15.8	0.4	11.9	—	12.3	3.6	12.6	—	13.0	—
Natural gas	**16.0**	**24**	**18.2**	**0.7**	**9.4**	**41**	**8.8**	**4.6**	**19.8**	**5**	**8.6**	**43**
Producers and pipeliners	17.3	—	19.1	0.8	10.5	—	9.1	5.3	19.8	—	11.5	—
Pipeliners and distributors	18.7	—	21.8	0.7	11.3	—	10.1	6.2	25.5	—	13.5	—
Distributors	13.0	—	11.7	0.8	7.1	—	7.4	3.9	17.1	—	6.2	—

Note: Explanation of Yardsticks calculations on page 49.

Industry medians

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Industry	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Conglomerates	15.8%	25	16.5%	0.6	9.8%	37	9.7%	3.9%	11.1%	39	14.8%	20
Forest products	15.5	26	14.3	0.5	9.7	27	10.8	6.0	12.5	34	14.6	21
Wholesalers	15.2	27	15.4	0.6	10.4	37	9.7	1.1	15.8	12	12.0	33
Food distributors	15.0	—	12.7	0.6	8.6	—	9.7	0.7	16.0	—	11.5	—
Other wholesalers	16.0	—	16.7	0.5	12.4	—	11.3	2.0	12.9	—	14.1	—
Autos and trucks	15.1	28	7.5	0.3	6.0	30	10.7	1.8	12.8	32	11.2	38
Beverages	15.0	29	12.5	0.3	10.0	22	11.7	4.9	11.7	37	10.1	40
Supermarkets	15.0	29	14.8	1.0	9.1	33	10.2	1.2	13.0	30	15.2	17
Major chains	13.2	—	14.5	1.1	9.0	—	8.8	1.0	9.5	—	7.9	—
Regional chains	15.6	—	15.2	1.0	9.3	—	10.6	1.3	13.8	—	16.4	—
Household goods	14.8	31	13.4	0.4	9.7	23	11.5	4.2	10.5	42	10.9	39
Appliances	13.0	—	12.8	0.3	9.9	—	10.7	2.3	7.5	—	10.5	—
Housewares and furnishings	14.5	—	4.0	0.7	4.7	—	10.0	1.2	8.2	—	12.7	—
Housekeeping products	16.3	—	15.0	0.3	11.8	—	12.9	5.3	13.4	—	10.2	—
Brokerage	14.7	32	24.1	0.3	23.0	9	14.4	6.5	26.1	1	14.9	18
The thrifts	14.7	32	7.9	0.5	6.4	14	13.6	5.1	20.0	4	16.5	15
Building materials	14.5	34	12.6	0.4	9.5	27	10.8	4.2	11.9	36	13.6	26
Lumber	16.3	—	11.9	0.5	7.8	—	10.2	4.8	12.7	—	13.5	—
Cement and gypsum	14.1	—	14.0	0.5	10.4	—	10.1	6.5	10.4	—	14.4	—
Other building materials	13.4	—	10.7	0.4	7.7	—	10.3	3.6	9.9	—	10.9	—
Building equipment	21.7	—	20.0	0.2	13.1	—	16.3	5.3	12.2	—	17.8	—
Food processors	14.4	35	16.1	0.5	11.6	25	11.1	1.9	9.8	46	12.8	31
Meatpackers	13.7	—	15.8	0.6	11.6	—	10.8	1.1	9.8	—	6.0	—
Agricultural commodities	15.0	—	16.2	0.4	12.0	—	11.1	2.5	9.7	—	14.4	—
Diversified metals	14.3	36	23.6	0.3	18.3	34	10.0	7.8	14.1	26	6.3	46
Multi-industry companies	14.1	37	14.9	0.4	11.0	27	10.8	5.0	9.6	47	13.5	28
Auto suppliers	14.0	38	7.1	0.4	6.3	30	10.7	2.4	11.0	40	12.3	32
Tire and rubber	5.7	—	def	0.5	0.2	—	5.1	def	9.3	—	–2.0	—
Partsmakers	15.4	—	10.8	0.4	8.8	—	12.2	3.0	13.1	—	15.7	—
Telecommunications	13.9	39	12.8	0.9	6.5	44	7.0	8.9	11.7	37	7.6	45
Banks	13.7	40	15.2	0.4	11.5	24	11.2	6.7	15.4	17	9.8	41
New York banks	12.9	—	15.8	0.5	11.8	—	10.4	4.7	17.1	—	8.5	—
Regional banks	14.0	—	14.9	0.4	11.5	—	11.6	6.9	15.3	—	10.0	—
Specialty steel	13.1	41	7.9	0.4	7.7	35	9.9	2.5	9.9	44	8.5	44
Packaging	13.0	42	12.6	0.5	8.6	40	9.4	3.5	13.0	30	11.5	36
General retailers	12.5	43	9.5	0.7	6.8	43	8.2	2.0	10.3	43	8.9	42
Department stores	12.3	—	9.7	0.6	7.3	—	8.8	2.7	9.9	—	7.3	—
Discount and variety stores	12.5	—	9.1	1.0	6.5	—	7.2	1.3	13.0	—	11.7	—
Electric utilities	11.8	44	11.3	0.9	6.3	46	6.4	10.1	15.8	12	2.2	47
Northeast	11.5	—	11.3	0.9	6.3	—	6.4	9.1	13.0	—	2.8	—
Midwest	12.1	—	11.3	0.9	6.4	—	6.4	10.5	15.4	—	1.8	—
Southeast	11.8	—	11.4	0.9	5.8	—	6.1	9.6	16.8	—	2.8	—
Southwest	13.5	—	13.9	0.9	7.1	—	7.3	10.4	19.6	—	4.9	—
West	11.2	—	10.5	0.9	6.3	—	6.7	10.0	19.7	—	1.8	—
Apparel	11.7	45	11.4	0.3	9.1	41	8.8	3.4	9.3	49	11.7	35
Clothing	10.3	—	9.0	0.4	7.2	—	8.2	2.5	6.9	—	7.8	—
Textiles	9.3	—	9.3	0.3	8.4	—	7.9	3.4	9.3	—	13.9	—
Shoes	17.6	—	18.3	0.3	14.5	—	14.1	3.7	12.5	—	16.6	—
Railroads	11.5	46	13.8	0.6	8.5	45	6.9	6.7	10.8	41	14.5	22
Airlines	11.3	47	def	1.2	1.2	47	5.7	def	15.8	12	14.2	24
Copper	8.6	48	8.9	0.9	6.3	48	5.5	3.5	9.4	48	–8.1	49
Steel	8.1	49	5.1	0.4	4.5	49	5.4	1.5	9.9	44	0.9	48
All industry medians	15.8		16.1	0.4	11.0		11.1	5.0	14.3		13.9	

Note: Explanation of Yardsticks calculations on page 49.
def: deficit.

How do companies rank by the measure that counts most—the amount of return in net profits for every dollar of capital that goes in?

Who's where in profitability

THE MOST COMMONLY USED MEASURE OF PROFITABILITY for a company is return on equity. The *ultimate* measure is return on total capital—equity plus debt. Each company in the FORBES Annual Report on American Industry is ranked both ways in the following table.

Both measures are needed because return on equity alone can sometimes be misleading. If a company has had significant losses in the recent past, for example, stockholders' equity will be much smaller—so its earnings, as a percentage of that smaller base, will appear unusually high as they start to recover. You can tell which companies these may be by looking at return on total capital.

A highly leveraged company, too, can often wring a spectacular return on equity out of a modest return on total capital. In many cases, that's a measure of effective financial management; but in these days of wildly volatile interest rates, that might suggest it's time for a change in financial style or there'll be sleepless nights in the future.

For example, look at the spectacular 121.9% return on equity of Saul Steinberg's Reliance Group, number one on the list over the past five years. Losses in the mid-1970s reduced equity per share. Thus, Reliance ranks 1st in ROE but 115th in return on capital. Or take Houston Oil & Minerals. It's 5th-ranked in ROE but 146th in return on total capital largely because it financed explosive growth with heavy debt. In fact, Houston Oil's return on total capital over the past 12 months was lower than the FORBES all-industry medians (10.4% *vs.* 11%).

In addition to correlations between return on equity and return on capital, look at how 12-month performance compares with five-year performance. In last year's recession, many companies failed to better that five-year basis in return on total capital. Among those that succeeded were Reliance itself—as well as third-ranked Tosco.

Who's where in profitability

	Return on equity			Return on capital				Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months	Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Reliance Group	121.9%	1	45.1%	18.6%	115	25.7%	Houston Natural Gas	27.1%	66	27.1%	15.2%	225	16.0%
Subaru of America	76.8	2	58.5	73.2	1	58.2	AMP	26.9	67	27.1	22.8	46	23.6
Tosco	62.7	3	49.6	18.2	124	30.2	Deluxe Check Printers	26.9	67	27.2	25.1	27	25.4
Columbia Pictures	54.4	4	24.6	21.0	72	18.5	Crown Central Petroleum	26.9	69	18.3	16.2	187	13.3
Houston Oil & Minerals	53.1	5	27.4	17.5	146	10.4	American Financial	26.8	70	7.5	8.6	730	6.6
Tandy	47.5	6	43.5	27.1	20	26.4	Holly Corp	26.8	70	22.5	18.6	112	18.5
Savin	47.3	7	23.8	35.5	3	14.7	United Energy Resources	26.8	72	29.2	17.8	135	19.2
Charter	47.3	8	25.6	24.6	35	16.2	Trinity Industries	26.8	73	37.4	20.1	88	28.0
Shaklee	44.3	9	15.5	27.5	18	10.8	Missouri Pacific	26.7	74	21.8	11.2	502	10.9
Alexander & Alexander	40.5	10	36.9	44.1	2	37.5	Lubrizol	26.7	75	30.3	24.9	31	28.2
Computer Sciences	40.3	11	32.8	18.2	125	19.6	Washington Post	26.6	76	20.0	20.0	89	17.2
Resorts Intl	38.8	12	22.7	29.8	9	16.2	Parker Pen	26.4	77	26.2	24.7	33	25.4
Howell	37.7	13	34.7	25.0	29	32.0	Dun & Bradstreet	26.4	78	29.5	26.4	25	28.8
Mitchell Enrgy & Dev	36.4	14	44.3	11.8	464	14.4	Louisiana Land	26.4	79	28.0	21.2	67	23.4
Teledyne	36.1	15	27.7	23.4	40	21.1	American Family	26.3	80	13.7	25.0	28	12.1
Emery Air Freight	35.7	16	28.8	34.4	4	26.6	U S Fidelity & Gty	26.3	80	23.7	26.4	24	23.8
Food Town Stores	35.0	17	31.0	29.3	13	24.7	EG&G	26.1	82	38.8	21.0	71	26.6
Levi Strauss	34.3	18	31.4	29.3	13	27.7	Snap-On Tools	25.9	83	23.4	21.8	56	20.7
Shearson Loeb Rhoades	34.3	19	55.9	20.1	85	34.3	Bruno's	25.9	84	29.4	16.6	172	19.4
Old Republic Intl	33.6	20	19.1	33.1	6	21.3	Caldor	25.8	85	26.6	16.6	174	13.4
SmithKline	33.4	21	38.1	28.6	15	35.6	Merck	25.8	86	25.1	21.8	57	21.4
Service Merchandise	33.4	22	17.1	23.4	40	10.5	Kaneb Services	25.8	87	29.6	14.2	272	15.1
Mission Insurance	33.3	23	30.3	27.3	19	25.9	Dover	25.8	88	28.0	21.7	58	23.9
Marsh & McLennan Cos	33.2	24	31.9	33.5	5	34.7	Fort Howard Paper	25.8	89	23.3	22.4	50	18.5
Nucor	32.8	25	37.7	23.6	37	29.0	Fairchild Industries	25.7	90	35.7	18.5	117	24.3
Schlumberger	32.6	26	36.3	29.8	9	30.0	E F Hutton Group	25.7	91	38.7	21.6	59	33.7
American Home Products	32.4	27	32.8	32.4	7	32.9	Keystone Foods	25.6	92	21.6	14.8	242	14.0
Pioneer	32.4	28	37.3	15.9	196	19.2	Ohio Casualty	25.6	93	20.8	25.0	29	20.5
Avon Products	32.1	29	28.1	31.3	8	27.2	Nalco Chemical	25.6	94	26.1	24.6	34	25.3
Standard Oil Ohio	31.9	30	58.1	13.4	349	26.2	Twentieth Century-Fox	25.6	94	20.7	18.9	106	15.9
Engelhard Minerals	31.8	31	48.8	26.0	26	40.3	Natomas	25.6	96	29.7	16.8	164	20.1
Ashland Oil	31.7	32	21.2	16.0	193	12.7	Blue Bell	25.5	97	19.0	21.5	63	17.2
Superior Oil	31.7	33	19.7	11.3	495	13.8	Pioneer Hi-Bred Intl	25.5	97	29.5	22.7	47	24.4
Warner Communications	31.5	34	34.7	19.9	92	25.0	PACCAR	25.3	99	20.2	23.2	44	19.1
Wal-Mart Stores	31.0	35	29.1	21.6	61	18.8	Parker Drilling	25.3	100	21.8	14.3	266	13.8
Parsons	30.9	36	24.6	23.5	39	21.4	Golden West Finl	25.1	101	20.8	20.8	76	16.5
RLC	30.8	37	23.0	10.8	537	10.0	Gelco	25.1	102	32.9	7.2	811	10.5
Dorchester Gas	30.7	38	36.3	19.8	94	19.7	American Intl Group	25.1	103	21.5	23.1	45	20.3
Dow Jones	30.7	38	28.6	27.8	17	25.3	Colonial Penn Group	25.0	104	17.7	24.8	32	17.7
Metromedia	30.7	40	39.0	17.5	145	19.2	Lockheed	25.0	105	2.8	8.5	737	5.0
Intel	30.5	41	30.2	29.7	11	29.2	Northrop	25.0	106	21.6	21.2	66	19.4
Best Products	30.4	42	21.3	22.5	49	8.9	Cooper Industries	24.9	107	19.9	20.4	81	13.5
Toys "R" Us	30.2	43	18.9	15.0	233	16.2	Fluor	24.8	108	27.5	20.9	74	18.5
G Heileman Brewing	30.2	44	33.7	22.3	53	23.9	McDonald's	24.7	109	22.3	13.6	333	12.0
Earth Resources	30.0	45	41.0	19.4	100	25.2	Masco	24.7	110	24.0	15.9	197	12.9
Texas Oil & Gas	29.9	46	36.7	15.4	212	16.4	Edison Bros Stores	24.6	111	19.3	20.4	80	16.3
Petrie Stores	29.4	47	23.2	29.4	12	23.2	Lucky Stores	24.5	112	22.2	15.2	228	13.6
SCOA Industries	29.4	48	28.6	17.3	155	16.5	Petrolane	24.5	113	25.4	17.0	159	17.3
Storage Technology	29.0	49	26.7	17.9	132	17.1	Dillon Companies	24.4	114	18.4	18.9	104	11.9
Occidental Petroleum	29.0	50	54.0	14.0	293	25.0	Niagara Frontier Services	24.4	115	18.3	18.1	129	11.9
Clark Oil & Refining	28.8	51	44.5	19.6	97	36.4	Square D	24.4	115	23.0	19.7	95	17.6
Pennzoil	28.8	52	37.5	12.9	400	19.2	Todd Shipyards	24.4	117	21.0	10.9	533	16.1
Melville	28.7	53	25.0	26.9	22	23.7	Centex	24.4	118	34.0	10.5	566	10.3
Kelly Services	28.5	54	25.2	28.5	16	25.3	Dayton-Hudson	24.3	119	17.1	17.6	140	14.7
Entex	28.4	55	18.7	13.9	302	10.3	Sun Chemical	24.3	119	24.1	14.9	239	13.2
ConAgra	28.3	56	21.6	16.0	191	14.2	Schering-Plough	24.3	121	23.5	23.5	38	21.9
Kellogg	28.2	57	27.2	23.4	43	22.7	Baldwin-United	24.2	122	26.3	15.7	206	14.9
Super Valu Stores	28.2	58	26.8	18.6	113	18.1	Mattel	24.2	123	14.1	17.7	138	10.8
Kay	28.1	59	36.5	14.2	279	12.5	Lear Siegler	24.2	124	22.4	14.2	280	14.4
MAPCO	28.0	60	25.6	14.3	267	13.3	Bally Manufacturing	24.1	125	19.5	17.4	148	10.6
James River Corp Va	27.9	61	21.5	15.5	210	12.9	American Standard	24.1	126	27.4	16.7	168	20.0
Maytag	27.6	62	24.5	26.7	23	23.3	Kemper	24.1	127	20.2	23.9	36	20.3
GEICO	27.4	63	35.6	13.8	309	18.4	Leaseway Transportation	24.0	128	20.9	10.6	555	9.7
Wang Laboratories	27.2	64	34.8	17.7	139	19.3	Intl Flavors & Frag	23.9	129	22.9	22.2	54	21.3
Chic & North Western	27.1	65	45.9	6.6	870	10.2	Gates Learjet	23.8	130	19.3	20.1	84	16.4

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.

Who's where in profitability

Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
MGM Grand Hotels	23.8%	130	25.2%	**	[illegible]	[illegible].5%
Loews	23.8	132	24.1	10.5%	[illegible]	11.8
Briggs & Stratton	23.8	133	22.0	23.4	[illegible]	21.4
Interpublic Group	23.8	134	20.5	22.7	[illegible]	16.7
Boeing	23.7	135	31.3	20.5	[illegible]	27.0
Humana	23.7	136	33.6	9.2	688	10.7
Albertson's	23.6	137	20.7	13.8	305	12.1
Baker International	23.6	138	24.2	16.7	167	17.3
Natl Convenience Strs	23.6	138	29.0	14.0	290	11.4
Philip Morris	23.6	140	24.7	13.7	323	13.6
Amer Broadcasting	23.6	141	19.8	18.3	123	16.5
Coca-Cola	23.6	141	21.6	22.3	52	20.2
Geosource	23.5	143	27.4	19.8	93	21.2
Halliburton	23.4	144	20.4	18.7	108	17.5
Amdahl	23.3	145	4.2	27.1	21	4.4
Avco	23.2	146	17.2	7.9	775	6.7
Foster Wheeler	23.1	147	23.3	18.9	105	19.8
Hilton Hotels	23.1	148	26.3	16.3	183	20.5
Big V Supermarkets	23.1	149	21.5	15.3	222	14.0
Data General	23.0	150	20.8	21.4	64	19.2
Memorex	23.0	151	def	12.8	401	def
CBS	23.0	152	17.5	19.6	96	15.1
General Re	22.9	153	22.3	22.0	55	21.8
Piedmont Aviation	22.8	154	18.7	8.7	727	7.7
Frontier Airlines	22.8	155	17.9	15.1	232	10.4
Hoover Universal	22.8	155	11.8	17.7	137	8.9
Raytheon	22.7	157	23.6	21.6	59	27.4
St Paul Companies	22.5	158	15.8	19.9	91	14.0
Diamond Shamrock	22.4	159	21.7	13.0	385	12.3
Belco Petroleum	22.4	160	22.5	17.2	156	18.2
Natl Semiconductor	22.4	160	29.1	16.8	163	20.1
CNA Financial	22.4	162	21.7	11.5	482	12.8
Ryder System	22.4	162	17.5	9.4	669	7.1
IBM	22.4	164	22.3	21.5	62	20.4
Consol Freightways	22.4	165	13.2	17.6	142	9.9
Longs Drug Stores	22.3	166	20.5	22.3	51	20.4
Minn Mining & Mfg	22.3	166	22.7	18.8	107	19.8
Roadway Express	22.3	168	21.3	21.1	68	20.0
Bristol-Myers	22.2	169	22.4	20.3	83	20.1
Electronic Data Syst	22.2	170	23.2	20.1	86	20.7
U S Air	22.2	170	29.5	9.9	623	13.8
Vulcan Materials	22.2	172	22.2	15.2	224	16.0
Hanover Insurance	22.1	173	20.9	21.1	69	20.6
Blount	22.1	174	21.3	13.0	378	9.8
Crum & Forster	22.1	174	22.7	21.0	70	21.9
Revlon	22.1	176	20.6	17.4	153	19.0
Abbott Laboratories	22.0	177	22.5	17.0	161	18.0
Crouse-Hinds	22.0	178	23.2	18.7	110	21.0
PepsiCo	21.9	179	22.1	16.0	194	15.3
Cameron Iron Works	21.9	180	22.3	14.1	288	16.1
Capital Cities Commun	21.9	181	22.8	16.7	169	18.7
E-Systems	21.9	181	11.9	19.3	102	10.3
Auto Data Processing	21.8	183	20.3	19.5	99	16.1
Combined Internatnl	21.8	184	20.8	21.3	65	20.5
Phillips Petroleum	21.7	185	25.8	16.5	175	20.5
MCA	21.7	186	17.8	20.1	86	15.8
Rollins	21.7	187	20.0	17.5	147	17.2
Central Louisiana Engy	21.7	188	29.4	10.4	571	14.3
Denny's	21.7	189	12.7	12.9	396	7.3
Eli Lilly	21.6	190	21.3	21.0	73	20.9
Tyler	21.6	191	16.1	15.4	213	10.8
Oklahoma Natural Gas	21.6	192	18.6	11.6	476	10.4
Tyson Foods	21.6	193	2.6	14.3	267	3.4
Dean Foods	21.5	194	21.2	15.6	207	15.6
Pacific Resources	21.5	195	26.6	11.1	515	14.0

Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Revco D S	21.4%	196	20.2%	17.6%	143	16.9%
Farmers Group	21.3	197	19.1	20.3	82	18.8
Smith International	21.2	198	20.8	17.5	144	15.9
Circle K	21.2	199	30.1	14.0	292	16.9
American Stores	21.2	200	20.1	17.8	133	9.2
Sundstrand	21.2	200	23.4	13.1	373	15.8
Amsted Industries	21.1	202	23.2	20.6	77	22.6
Handy & Harman	21.1	202	31.4	14.1	284	20.0
Ametek	21.1	204	18.7	16.5	175	13.1
Upjohn	21.1	205	22.4	15.3	218	16.1
Dow Chemical	21.1	206	19.4	13.0	385	11.7
Hyster	21.1	206	16.3	17.0	159	14.1
Bausch & Lomb	21.1	208	25.0	16.6	170	21.3
Genuine Parts	21.1	208	20.6	20.9	75	19.7
Rite Aid	21.1	210	20.2	18.5	119	17.8
Cabot	21.0	211	39.6	13.8	309	23.7
Amerada Hess	21.0	212	29.0	15.0	237	20.5
Emerson Electric	20.9	213	21.4	19.3	101	19.9
U S Home	20.9	214	25.3	10.9	532	12.9
Iowa Beef Processors	20.9	215	19.7	16.0	195	16.2
Times Mirror	20.8	216	18.2	18.2	128	13.8
Aetna Life & Casualty	20.8	217	17.9	18.5	119	16.4
Combustion Engnrng	20.8	218	32.6	12.3	431	12.2
Copeland	20.8	218	22.5	18.2	127	17.8
Farm House Foods	20.7	220	17.8	9.7	639	8.6
Winn-Dixie Stores	20.7	221	18.3	18.4	122	15.7
Conoco	20.7	222	25.9	14.4	263	17.2
Gannett	20.6	223	20.9	18.6	113	18.3
Mead	20.6	224	17.7	12.3	432	12.0
CBI Industries	20.6	225	19.3	16.8	165	15.8
Intl Minerals & Chem	20.6	226	18.8	13.5	337	12.4
Avnet	20.6	227	21.5	17.4	154	19.8
Waste Management	20.6	227	23.8	13.1	371	16.4
Weis Markets	20.6	227	19.3	20.6	78	19.4
R J Reynolds Inds	20.5	230	21.6	14.8	244	14.7
Republic New York	20.5	231	31.0	13.7	329	18.4
Host International	20.5	232	19.2	13.0	381	12.2
NN	20.5	233	22.0	19.1	103	16.6
TRW	20.4	234	19.8	13.4	352	13.3
Marley	20.4	235	15.6	17.8	134	15.4
American Express	20.4	236	20.0	16.6	173	15.4
Chesebrough-Pond's	20.3	237	22.2	16.5	177	17.8
General Electric	20.3	237	20.2	18.1	130	18.1
Scott & Fetzer	20.3	239	14.3	16.3	186	11.1
Idle Wild Foods	20.3	240	16.3	16.3	181	12.5
Northwest Industries	20.3	240	16.5	12.4	427	9.9
Hardee's Food Systems	20.2	242	21.1	12.2	437	10.8
Consolidated Papers	20.2	243	20.8	17.6	141	17.7
Republic Finl Svcs	20.2	243	16.5	15.9	199	13.7
Milton Bradley	20.1	245	23.1	15.7	203	20.3
Pay Less Drug NW	20.1	246	19.6	14.8	243	12.4
Caterpillar Tractor	20.1	247	14.6	15.0	238	11.8
Safeco	20.0	248	16.6	15.8	202	13.9
McGraw-Hill	20.0	249	21.4	17.4	149	19.3
Wyman-Gordon	20.0	250	17.8	15.7	203	14.5
W W Grainger	20.0	251	17.5	19.5	98	17.2
Alco Standard	19.8	252	18.8	14.7	247	13.4
Dresser Industries	19.8	252	17.7	15.7	205	14.8
A C Nielsen	19.8	252	18.8	20.0	89	19.2
Flowers Industries	19.8	255	15.9	12.4	429	10.8
Harris Corp	19.8	256	19.7	15.1	230	13.2
Pitney Bowes	19.7	257	19.7	13.[illegible]	315	13.4
Dexter	19.7	258	18.8	14.9	240	13.1
Malone & Hyde	19.7	259	18.8	17.0	158	14.2
Modern Merchandising	19.7	260	6.6	13.9	297	5.2

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.
**Not available; not ranked. def: deficit.

Who's where in profitability

	Return on equity			Return on capital				Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months	Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Freeport Minerals	19.7%	261	35.5%	15.4%	217	24.4%	Echlin Manufacturing	18.2%	325	6.2%	13.7%	329	6.0%
General Cinema	19.6	262	17.3	12.8	401	11.2	Hershey Foods	18.2	325	17.5	15.3	220	12.2
Johnson Controls	19.6	263	10.9	16.2	188	8.9	Panhandle Eastern	18.2	328	19.3	9.2	687	9.8
Air Prods & Chems	19.6	264	20.3	11.6	474	11.4	Bangor Punta	18.2	329	19.3	10.5	567	10.9
Sun Company	19.5	265	25.2	13.6	335	18.1	Bucyrus-Erie	18.2	329	13.9	14.2	277	11.4
Ryan Homes	19.5	266	15.9	17.4	149	13.9	NCR	18.2	329	15.6	13.8	313	13.6
Cincinnati Milacron	19.4	267	31.2	13.3	361	21.3	Owens-Corning Fbrgls	18.2	332	8.3	13.8	316	6.7
Procter & Gamble	19.4	268	19.1	15.0	235	14.8	Illinois Tool Works	18.2	333	17.9	17.8	136	17.4
Mallinckrodt	19.4	269	16.4	14.2	273	13.0	Ark Louisiana Gas	18.2	334	22.3	9.7	644	10.4
Sigmor	19.4	269	22.7	14.6	255	16.1	Moore Corp	18.2	334	18.5	14.3	269	14.9
Texas Instruments	19.4	269	21.4	18.6	116	21.1	Texas Commerce Bshs	18.2	336	19.7	16.6	170	18.1
Tektronix	19.3	272	18.8	16.9	162	15.4	Transway Intl	18.2	336	11.5	14.6	257	9.7
Supermarkets General	19.3	273	19.0	9.9	615	10.3	Cone Mills	18.1	338	18.3	15.9	200	16.8
Willamette Inds	19.3	273	17.3	13.7	328	13.2	Kings Dept Stores	18.1	339	9.0	13.8	313	6.5
Clorox	19.3	275	15.4	15.2	226	13.1	Campbell Taggart	18.1	340	17.8	13.6	334	13.2
Norris Industries	19.3	275	9.5	17.4	152	9.1	Whirlpool	18.1	341	13.9	15.6	208	12.7
Federal-Mogul	19.3	277	16.5	14.8	244	13.8	Witco Chemical	18.1	342	17.0	12.0	455	11.0
Eastman Kodak	19.3	278	21.2	18.2	126	20.1	Hughes Tool	18.0	343	20.7	15.3	221	15.2
Gulf & Western Inds	19.3	278	19.4	9.2	686	9.5	Archer Daniels Midland	18.0	344	19.8	14.1	287	14.9
Johnson & Johnson	19.3	280	19.5	18.7	108	18.7	Georgia-Pacific	18.0	345	12.7	10.9	531	7.5
Jack Eckerd	19.2	281	19.3	18.7	111	18.5	Trans Union	18.0	345	20.7	6.9	845	6.6
InterNorth	19.1	282	21.2	10.4	573	12.1	Raymond Intl	18.0	347	4.3	13.7	326	4.2
Kimberly-Clark	19.1	283	14.2	14.4	261	12.1	Fuqua Industries	18.0	348	23.1	10.7	546	12.5
Nabisco	19.1	283	20.3	13.0	380	14.1	Ideal Basic Inds	17.9	349	19.9	12.4	428	11.3
Dana	19.1	285	10.5	14.7	246	8.7	Digital Equipment	17.9	350	17.5	15.9	197	14.9
Atlantic Richfield	19.1	286	26.0	12.6	416	16.0	BankAmerica	17.9	351	18.5	13.8	311	14.7
Union Camp	19.0	287	18.1	13.5	338	13.0	Exxon	17.9	351	25.3	13.8	321	18.6
CPC International	19.0	288	19.1	15.4	213	15.6	Ogden	17.9	353	16.5	8.8	714	8.8
Yellow Freight System	19.0	289	9.0	13.6	332	5.9	Carpenter Technology	17.9	354	17.3	16.4	180	16.1
Chubb	19.0	290	19.1	17.4	149	18.0	Mobil	17.9	354	26.5	13.2	366	18.8
Morse Shoe	19.0	291	16.0	16.8	166	11.7	Universal Foods	17.8	356	12.7	14.1	284	10.5
Southwestern Pub Svc	18.9	292	15.7	8.0	766	7.0	Wheelabrator-Frye	17.8	357	19.5	13.6	335	13.8
Marathon Oil	18.9	293	22.4	12.6	416	13.6	Standard Oil Calif	17.8	358	24.9	14.4	265	19.9
Heck's	18.9	294	20.0	14.5	259	11.6	United Telecom	17.8	359	15.9	7.5	792	6.7
Mercantile Texas	18.9	294	18.8	14.4	262	14.0	Universal Leaf	17.8	360	18.8	16.0	192	15.7
Lowe's Companies	18.9	296	12.4	14.6	257	10.4	Southern Union	17.8	361	22.7	9.7	639	12.6
Arvin Industries	18.9	297	5.9	12.3	435	5.5	Parker-Hannifin	17.8	362	17.0	13.7	325	13.8
Barnes Group	18.9	298	19.5	15.0	234	15.2	Pfizer	17.7	363	17.6	13.3	353	13.6
Evans Products	18.9	298	15.1	11.9	461	10.4	General Foods	17.7	364	15.9	14.2	277	13.2
Cullum Companies	18.8	300	22.7	10.6	555	13.0	RCA	17.7	365	15.3	11.7	469	11.0
Equifax	18.8	300	16.8	16.1	189	13.4	Ethyl	17.7	366	14.2	11.0	522	10.1
Xerox	18.8	302	18.7	15.4	215	16.1	Pay'n Save	17.7	367	15.1	13.8	306	10.8
Hospital Corp of Am	18.7	303	18.0	8.9	705	9.7	Weyerhaeuser	17.7	368	14.3	12.3	433	10.5
Santa Fe Intl	18.7	304	16.6	10.7	547	9.8	Fleming Companies	17.7	369	18.2	12.7	411	12.5
Franklin Mint	18.7	305	18.3	15.2	228	14.7	Earle M Jorgensen	17.7	369	16.9	14.9	241	14.6
Hewlett-Packard	18.7	306	21.4	18.1	131	20.6	Meredith	17.7	369	19.1	12.1	448	12.4
American Brands	18.7	307	26.2	13.2	363	17.6	U S Bancorp	17.7	369	17.3	13.9	294	13.0
American General	18.7	308	16.3	14.6	253	14.7	Carnation	17.6	373	17.6	14.2	273	14.4
Stauffer Chemical	18.6	309	15.2	13.0	375	11.4	Emhart	17.6	374	13.9	16.3	182	12.0
Tecumseh Products	18.5	310	14.9	18.5	117	15.0	First Intl Bshs	17.6	375	18.6	14.2	280	13.9
Thiokol	18.5	311	18.2	13.8	319	12.9	United States Shoe	17.6	375	18.3	13.5	340	14.5
K mart	18.5	312	12.3	14.2	275	8.7	Shell Oil	17.6	377	20.9	13.0	383	13.0
United Technologies	18.5	312	16.7	12.9	393	11.6	Transco Companies	17.6	377	20.6	7.1	818	7.8
Provident Life & Acc	18.5	314	16.2	18.5	121	16.2	Murphy Oil	17.5	379	26.8	10.3	582	15.7
Standard Oil Indiana	18.4	315	22.8	13.6	331	15.9	Gillette	17.5	380	19.0	13.1	372	14.2
Alcan Aluminium	18.4	316	26.4	12.3	433	17.2	Harsco	17.5	380	14.7	14.2	271	12.6
So Natural Resources	18.4	316	18.4	10.3	589	11.7	Tesoro Petroleum	17.5	380	64.4	10.6	554	31.1
National Svc Inds	18.4	318	21.1	15.8	201	18.6	Scovill	17.5	383	12.8	12.0	449	8.9
Big Three Industries	18.4	319	19.8	14.6	249	15.1	Economics Laboratory	17.5	384	16.9	13.5	338	12.2
DPF	18.4	319	9.2	7.9	771	6.1	Texas Eastern	17.5	384	21.0	8.9	711	10.7
Wallace-Murray	18.4	321	16.5	13.3	362	12.2	White Consolidated	17.4	386	12.7	10.3	584	8.9
General Mills	18.3	322	17.9	13.7	323	13.6	Union Oil California	17.4	387	21.0	12.0	455	14.3
Transamerica	18.3	323	18.0	11.2	511	9.8	Time Inc	17.4	388	14.0	13.5	340	10.4
Curtice-Burns	18.3	324	14.4	11.1	513	7.1	Natl Medical Entrprs	17.4	389	21.8	8.2	755	11.5
Colt Industries	18.2	325	17.5	11.6	473	11.5	Northwest Energy	17.4	390	19.4	8.7	724	10.2

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.

Who's where in profitability

Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Nashua	17.4%	391	14.9%	12.9%	393	11.7%
Central Tel & Utils	17.3	392	17.5	7.5	799	7.6
DEKALB AgResearch	17.3	392	16.3	13.4	346	12.5
Rexnord	17.3	392	13.6	13.9	302	10.6
Sonoco Products	17.3	392	18.0	14.6	255	14.6
Turner Construction	17.3	396	22.6	17.2	157	22.3
Chromalloy American	17.3	397	13.8	9.7	635	9.1
Moore McCormack Res	17.3	397	18.0	9.2	691	9.2
Martin Marietta	17.3	399	18.7	12.9	396	15.2
Stanadyne	17.3	399	12.0	15.2	227	10.1
Louisiana-Pacific	17.2	401	10.9	11.2	509	7.7
Cessna Aircraft	17.2	402	10.3	13.8	316	9.2
Wm Wrigley Jr	17.1	403	12.7	16.4	179	12.2
Tenneco	17.1	404	18.8	9.7	644	10.6
GK Technologies	17.1	405	24.8	10.4	578	14.4
Baxter Travenol Labs	17.0	406	16.6	13.0	379	12.9
Whittaker	17.0	406	23.3	12.0	457	19.1
Sysco	17.0	408	18.4	12.8	407	14.0
United Refining	16.9	409	14.5	11.8	467	10.6
Beatrice Foods	16.9	410	15.2	13.9	297	11.8
North American Coal	16.9	411	17.2	6.8	855	5.9
Deere	16.9	412	11.2	13.3	359	9.3
Getty Oil	16.9	413	24.7	13.9	296	20.0
Connecticut General	16.9	414	15.9	16.3	185	15.6
Foremost-McKesson	16.8	415	15.2	9.6	650	9.9
Ralston Purina	16.8	416	15.7	11.9	461	11.6
Crane	16.8	417	12.1	9.9	615	7.9
Insilco	16.8	417	16.8	10.0	606	9.5
Knight-Ridder News	16.8	417	16.2	15.4	216	15.0
Brown-Forman Dist	16.8	420	23.9	13.0	377	17.1
Zurn Industries	16.8	421	16.7	11.9	459	12.6
Seaway Food Town	16.7	422	17.7	11.0	523	10.2
Longview Fibre	16.7	423	9.3	15.3	222	8.8
Perkin-Elmer	16.7	424	20.7	15.5	211	17.4
VF	16.7	425	19.3	14.3	270	16.5
General Motors	16.7	426	def	15.1	231	def
Republic of Texas	16.7	426	16.3	13.9	300	13.1
Delta Air Lines	16.7	428	12.1	9.1	695	7.5
Valley Natl Bk Ariz	16.7	428	18.8	15.0	235	19.1
Harvey Hubbell	16.7	430	17.6	16.3	183	16.6
Alcoa	16.6	431	20.2	11.0	520	14.3
Pillsbury	16.6	431	17.1	11.6	476	10.5
Crown Cork & Seal	16.6	433	15.3	14.1	286	13.5
Eaton	16.6	433	14.0	10.8	537	9.4
Marsh Supermarkets	16.6	435	15.8	10.4	580	8.5
Texas Gas Transmn	16.6	435	18.2	9.1	697	10.3
Wetterau	16.6	435	16.1	12.8	404	12.3
A H Robins	16.5	438	18.4	14.6	251	17.1
Federal Co	16.5	439	7.6	14.6	251	7.1
Michigan National	16.5	440	13.1	13.2	366	10.7
Butler Manufacturing	16.5	441	12.7	13.8	316	10.7
Eagle-Picher Inds	16.5	441	12.6	12.9	395	10.3
Travelers	16.5	441	16.2	15.6	209	15.6
General Instrument	16.5	444	20.9	12.6	415	17.4
USLIFE	16.5	444	14.5	13.4	344	11.2
McDonough	16.4	446	11.4	14.1	282	10.5
R H Macy	16.4	447	19.2	11.1	516	13.2
Kaiser Alum & Chem	16.4	448	22.7	9.5	663	13.3
Quaker Oats	16.4	449	16.4	11.6	479	12.3
Fred Meyer	16.4	450	12.3	10.8	542	7.9
Textron	16.4	451	14.4	13.3	359	12.0
Black & Decker	16.3	452	17.5	13.4	350	15.0
Amer Medical Intl	16.2	453	20.9	9.0	701	11.6
First City Bancorp	16.2	454	17.9	14.6	253	16.0
Heublein	16.2	454	16.8	11.7	472	12.0
Hannaford Bros	16.1%	456	16.3%	10.6%	557	8.8%
Midland-Ross	16.1	457	17.8	12.1	444	13.4
Walgreen	16.1	457	19.5	11.4	493	14.1
United States Gypsum	16.1	459	15.2	11.9	461	11.5
Business Men's Assur	16.1	460	16.1	13.4	346	15.6
Republic Natl Life	16.1	461	15.2	16.1	190	15.2
National City	16.1	462	14.5	16.5	178	14.2
Imperial Corp of Am	16.1	463	10.5	13.8	321	8.6
Sterling Drug	16.0	464	16.4	14.7	247	14.6
ENSERCH	16.0	465	21.5	9.0	702	11.5
Norton	16.0	465	18.4	13.2	369	14.9
E I du Pont	16.0	467	13.8	12.2	437	10.9
Dennison Mfg	16.0	468	14.1	13.5	342	12.3
General Signal	16.0	468	16.5	14.4	260	15.5
Nash Finch	16.0	468	12.7	13.4	348	10.2
McDermott	16.0	471	6.9	12.6	418	5.2
Morrison-Knudsen	15.9	472	17.9	11.8	466	13.1
Standard Brands	15.9	473	16.8	10.9	526	11.2
Citicorp	15.9	474	15.5	10.4	572	9.1
Continental Illinois	15.9	474	16.4	13.3	353	13.1
Bendix	15.9	476	17.0	13.0	385	15.1
Dayco	15.8	477	8.0	8.0	768	5.6
Penn Traffic	15.8	477	14.7	12.9	396	11.0
Southland	15.8	479	14.2	9.9	619	8.2
Ferro	15.8	480	14.5	13.8	306	12.2
Fieldcrest Mills	15.8	481	11.9	11.2	509	8.9
Motorola	15.8	481	17.3	14.0	291	14.4
City Investing	15.7	483	16.1	8.5	738	8.4
Gordon Jewelry	15.7	483	14.8	13.2	365	12.3
NICOR	15.7	485	15.9	8.3	752	8.5
New York Times	15.7	486	19.0	13.8	319	16.3
Rockwell Intl	15.7	486	18.6	11.3	496	14.1
Seafirst	15.7	486	15.4	14.6	249	13.9
George A Hormel	15.7	489	19.4	13.9	300	17.2
McCormick	15.7	490	15.1	12.1	439	11.6
Gould	15.7	491	11.0	12.0	453	7.9
Signode	15.7	492	14.1	13.1	374	11.7
Crocker National	15.6	493	15.2	11.1	516	11.6
Koppers	15.6	494	10.9	11.8	468	8.5
Potlatch	15.6	495	9.2	11.2	505	6.5
Consolidated Foods	15.6	496	16.7	12.4	430	11.8
H J Heinz	15.6	497	17.1	12.0	454	13.1
Suburban Propane Gas	15.6	497	18.1	9.6	661	11.0
American Petrofina	15.6	499	23.9	11.4	494	16.1
Anheuser-Busch Cos	15.6	500	18.1	10.0	608	11.5
Jim Walter	15.6	500	11.3	9.9	612	7.9
Stanley Works	15.5	502	14.0	12.5	423	12.2
Empire	15.5	503	15.9	9.7	631	10.6
General Dynamics	15.5	504	22.9	12.4	424	17.5
Texasgulf	15.4	505	36.4	9.5	662	20.3
Gerber Products	15.4	506	14.9	13.8	311	12.8
INA	15.4	506	17.8	13.9	302	14.9
Minnesota Gas	15.4	508	13.8	9.4	672	8.9
Stone Container	15.4	509	21.7	9.8	625	12.8
Giant Food	15.4	510	12.6	10.1	601	8.6
Corning Glass Works	15.4	511	13.5	12.9	391	11.9
Campbell Soup	15.3	512	14.9	13.9	294	12.8
Champion Intl	15.3	512	11.3	9.0	698	7.6
A E Staley Mfg	15.3	512	25.7	11.2	501	16.7
Clark Equipment	15.3	515	10.0	11.7	471	8.4
Merrill Lynch	15.3	515	23.0	15.3	219	23.0
Northwest Bancorp	15.3	517	15.7	12.1	447	11.3
Security Pacific	15.3	517	16.6	12.9	390	13.4
Liquid Air of No Amer	15.3	519	13.8	11.5	485	10.0
J P Morgan	15.3	520	16.1	13.0	385	13.9

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.
def: deficit.

Who's where in profitability

Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Peoples Energy	15.2%	521	13.5%	8.1%	763	8.0%
Continental Corp	15.2	522	13.1	14.2	275	13.1
Amer Hospital Supply	15.2	523	16.5	12.9	396	13.7
Athlone Industries	15.1	524	5.3	8.3	753	4.6
Fruehauf	15.1	525	7.5	9.7	639	6.0
St Joe Minerals	15.1	525	16.7	12.0	452	11.8
Public Service Indiana	15.1	527	13.9	7.4	800	7.0
Squibb	15.1	528	13.1	11.5	482	10.1
Western Bancorp	15.1	529	16.0	12.1	440	12.6
Harcourt Brace Jovan	15.1	530	17.9	11.6	476	12.2
Godfrey	15.1	531	13.9	10.1	599	9.5
Beckman Instruments	15.0	532	14.9	12.5	421	12.3
International Paper	15.0	533	9.8	10.1	597	7.7
Gt Northern Nekoosa	15.0	534	16.1	10.6	553	11.1
Purex Industries	15.0	534	14.5	11.3	500	11.3
Rainier Bancorp	15.0	534	13.9	13.2	370	12.9
Joy Manufacturing	15.0	537	15.1	13.0	389	12.7
Hobart	15.0	538	14.9	11.9	459	12.2
Royal Crown Cos	15.0	538	12.5	13.0	375	9.3
Super Food Services	15.0	540	12.4	9.6	653	8.4
Ball Corp	14.9	541	15.6	10.6	558	9.8
R R Donnelley & Sons	14.9	541	15.1	13.4	345	13.3
Riegel Textile	14.9	541	15.2	10.8	534	11.0
Westvaco	14.9	544	15.5	10.0	604	10.3
Signal Companies	14.9	545	13.9	10.7	549	10.3
Cummins Engine	14.9	546	def	10.2	592	0.1
First Bank System	14.9	546	15.3	12.1	443	12.3
Marriott	14.9	546	19.2	8.3	750	9.8
Pneumo	14.9	549	15.9	11.2	502	9.0
Wells Fargo	14.8	550	13.8	11.2	502	10.1
Berkshire Hathaway	14.8	551	10.9	12.0	449	10.1
Flickinger	14.8	552	15.4	12.6	413	12.7
Foxboro	14.8	552	10.5	13.3	353	9.9
Interco	14.8	552	14.5	13.3	356	12.0
Masonite	14.8	552	11.5	12.8	401	10.0
Sperry	14.8	556	15.1	10.8	535	11.1
Richardson-Merrell	14.8	557	16.2	13.2	363	15.0
H F Ahmanson	14.7	558	7.8	12.7	409	6.4
Household Finance	14.7	558	12.3	7.0	828	6.0
Kidde	14.7	558	16.5	9.5	666	9.9
Paine Webber	14.7	558	5.9	11.2	508	5.1
Raychem	14.7	558	18.7	13.7	326	17.2
Champion Spark Plug	14.7	563	10.9	13.5	343	10.1
Federated Dept Stores	14.7	564	15.9	12.9	391	13.2
Gulf United	14.7	565	16.4	12.5	420	13.6
Lone Star Industries	14.6	566	16.1	9.7	644	10.9
North Amer Philips	14.6	566	12.7	10.1	598	9.1
Seaboard Allied Milling	14.6	568	10.6	10.3	587	7.9
Gt Western Financial	14.6	569	7.9	13.3	358	6.3
Newmont Mining	14.6	569	30.1	10.5	567	21.4
Burroughs	14.5	571	13.3	12.8	406	12.0
Maryland Cup	14.5	571	15.0	10.1	600	10.6
American Greetings	14.5	573	13.8	10.9	526	10.0
Toro	14.5	574	def	11.6	479	def
Indianapolis Pwr & Lt	14.5	575	16.1	6.9	836	7.7
SEDCO	14.5	575	12.9	9.1	696	8.5
Houston Industries	14.5	577	13.9	7.7	787	7.1
Levitz Furniture	14.5	577	12.7	9.7	637	8.6
Reeves Brothers	14.5	577	13.8	12.1	440	11.7
Becton, Dickinson	14.5	580	14.4	12.1	444	12.2
Kroger	14.5	580	15.1	10.2	596	10.2
Dean Witter Reynolds	14.4	582	22.5	14.4	263	19.5
Amer Hoist & Derrick	14.4	583	13.4	9.9	612	9.6
Easco	14.4	583	4.3	10.0	610	4.4
General Tel & Elec	14.4	585	9.9	7.0	832	[illegible]

Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
ACF Industries	14.4%	586	16.6%	7.9%	777	8.7%
Ampex	14.4	587	16.4	8.8	713	12.1
Browning-Ferris Inds	14.4	587	17.4	9.2	685	11.0
Manufacturers Hanover	14.4	587	14.3	11.2	505	11.1
Brown Group	14.4	590	16.0	11.5	487	12.7
Norton Simon	14.3	591	12.7	9.7	635	8.4
Timken	14.3	591	14.2	13.4	350	13.2
Ruddick	14.3	593	15.5	9.9	617	9.7
Mercantile Bancorp	14.3	594	16.3	11.2	511	12.5
Fisher Scientific	14.3	595	16.2	10.9	530	12.1
Hartfield-Zodys	14.3	596	9.1	7.2	814	6.0
PPG Industries	14.3	596	14.7	10.7	552	11.0
First Boston	14.2	598	27.5	14.1	283	24.6
Ingersoll-Rand	14.2	598	14.0	11.0	524	10.8
Mercantile Stores	14.2	600	11.5	11.5	486	9.1
Peabody Intl	14.2	600	13.1	11.7	470	11.1
Union Carbide	14.2	600	16.2	10.0	603	10.9
Oscar Mayer	14.2	603	10.0	11.9	458	8.9
Warner-Lambert	14.2	604	12.0	11.0	521	8.7
Kerr-McGee	14.2	605	14.6	10.8	537	10.2
H K Porter	14.2	605	12.4	10.8	540	9.2
NVF	14.1	607	7.9	11.5	488	3.5
Quaker State Oil	14.1	607	11.5	9.6	653	8.0
Stewart-Warner	14.1	609	11.6	13.9	299	11.4
Central & South West	14.1	610	13.9	7.1	821	6.9
Tampa Electric	14.1	611	15.4	6.4	882	6.9
McGraw-Edison	14.1	612	10.3	12.7	410	5.5
Western Air Lines	14.0	613	def	6.5	878	def
Ex-Cell-O	14.0	614	13.7	12.8	405	11.7
Pittsburgh National	14.0	615	15.3	13.2	368	13.2
Jefferson-Pilot	14.0	616	13.3	13.8	306	13.2
AMAX	14.0	617	23.4	10.3	583	17.2
Cities Service	14.0	617	21.4	10.0	609	14.3
Colgate-Palmolive	13.9	619	9.7	12.2	436	8.1
Pennwalt	13.9	620	12.0	9.8	626	8.5
Texaco	13.9	621	21.5	10.4	575	15.4
Westinghouse Electric	13.9	622	17.8	11.5	488	15.2
Continental Tel	13.9	623	14.0	6.6	869	6.5
Amer Natl Resources	13.8	624	11.6	7.2	812	5.6
Safeway Stores	13.8	624	11.3	9.4	670	7.5
Peoples Drug Stores	13.8	626	17.0	11.3	498	13.6
New England G & E	13.8	627	14.7	6.9	841	7.0
Wachovia	13.7	628	13.7	12.7	408	13.0
NCNB	13.7	629	15.8	9.6	648	11.2
Walter E Heller Intl	13.7	630	14.0	7.3	808	7.3
Gulf Oil	13.6	631	16.9	11.4	491	13.8
National Gypsum	13.6	632	12.8	10.5	563	9.9
Garfinckel Brooks Bros	13.6	633	12.7	9.8	629	9.5
H H Robertson	13.6	633	17.7	10.7	548	13.3
Borg-Warner	13.6	635	11.9	12.1	442	11.1
May Dept Stores	13.6	636	13.6	9.2	688	8.7
Waldbaum	13.6	636	13.1	9.8	627	8.5
Wisconsin Public Svc	13.6	636	13.2	7.2	817	6.7
Gibraltar Financial	13.6	639	def	14.0	289	0.0
W R Grace	13.6	639	17.5	9.9	620	12.2
Hercules	13.6	639	11.2	10.3	584	9.0
Fischbach	13.6	642	12.3	10.5	564	10.0
Allen Group	13.5	643	12.5	9.4	675	8.8
Alleghany	13.5	644	15.7	12.6	419	10.6
First Charter Finl	13.5	644	5.9	12.4	425	4.8
Capital Holding	13.5	646	13.7	13.3	356	13.7
Arizona Public Service	13.5	647	12.7	7.5	790	7.3
Gifford-Hill	13.5	648	9.7	9.6	653	4.1
FMC	13.5	649	12.6	9.7	639	9.3
Manufacturers National	13.5	649	12.3	11.4	490	10.7

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.
def: deficit.

Who's where in profitability

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
G D Searle	13.5%	651	19.0%	10.0%	606	13.3%
Copperweld	13.4	652	10.8	10.6	559	8.4
Bird & Son	13.4	653	0.5	12.4	426	0.4
Long Island Lighting	13.4	653	12.9	7.5	790	7.8
Dorsey	13.4	655	12.7	9.2	693	7.9
Avery International	13.4	656	14.0	9.9	621	10.0
Honeywell	13.4	656	13.2	10.1	602	10.0
Pittston	13.4	656	11.9	11.3	496	9.6
Irving Bank	13.3	659	16.6	10.3	584	12.5
DeSoto	13.3	660	13.5	10.8	542	10.9
A-T-O	13.3	661	15.7	7.8	781	8.4
Consol Natural Gas	13.3	661	11.7	7.9	774	7.1
Dravo	13.3	661	10.5	10.8	541	8.5
Central Steel & Wire	13.3	664	8.3	13.0	383	8.0
Union Pacific	13.3	665	15.6	8.9	709	10.3
Arcata	13.3	666	11.6	9.6	652	7.4
Allied Stores	13.2	667	11.3	9.4	679	8.4
Anchor Hocking	13.2	667	10.0	10.4	580	7.9
DETROITBANK	13.2	669	10.6	12.6	412	9.9
Texas Utilities	13.2	669	14.2	7.3	807	7.6
Trane	13.2	669	16.0	10.8	535	13.2
Boise Cascade	13.2	672	11.4	9.7	634	7.9
Greyhound	13.2	673	15.8	9.6	656	11.6
Fedl Natl Mortgage	13.2	674	3.5	4.2	975	3.8
Purolator	13.2	674	10.7	10.5	561	8.7
AMF	13.1	676	12.9	9.3	681	9.7
Federal Paper Board	13.1	677	16.9	7.7	785	8.9
Hanna Mining	13.1	677	11.5	11.6	475	9.4
McDonnell Douglas	13.1	679	10.4	12.5	421	10.4
Kansas Power & Light	13.0	680	14.0	6.8	849	7.1
Brooklyn Union Gas	13.0	681	14.6	7.6	789	8.3
Laclede Gas	13.0	681	13.1	7.1	822	7.0
Reynolds Metals	13.0	681	16.4	7.5	793	9.7
American Natl Ins	13.0	684	12.4	13.0	381	12.3
Continental Group	13.0	685	14.1	9.4	672	9.1
National Can	13.0	686	19.7	9.3	682	13.4
Intl Multifoods	13.0	687	9.6	9.8	627	7.5
Duke Power	13.0	688	13.9	6.8	846	7.2
Sunbeam	13.0	688	12.0	10.5	567	9.9
Caesars World	13.0	690	34.9	7.4	805	17.1
Lincoln National	13.0	690	13.0	11.8	465	11.0
Southern Railway	12.9	692	14.3	7.4	804	8.1
Tiger International	12.9	692	10.5	5.8	920	5.1
First Natl Supermkts	12.9	694	14.6	10.4	575	8.3
Monsanto	12.9	695	8.2	9.5	664	6.4
Eastern Gas & Fuel	12.9	696	14.6	7.8	780	8.8
Rapid-American	12.9	696	7.8	6.4	885	6.5
National Distillers	12.9	698	10.5	10.2	591	8.4
ARA Services	12.8	699	12.7	10.4	575	11.2
Libbey-Owens-Ford	12.8	700	5.0	11.0	524	4.9
Grumman	12.8	701	8.6	9.0	699	8.2
Saga	12.8	701	12.0	10.7	545	7.7
Carter Hawley Hale	12.8	703	12.5	8.2	757	7.6
Adolph Coors	12.8	703	10.8	12.1	444	10.0
Borden	12.8	705	12.1	9.7	633	8.8
Columbia Gas System	12.8	705	13.8	6.9	843	7.5
American Cyanamid	12.8	707	11.6	9.9	617	8.9
Cleveland Elec Illum	12.8	708	10.9	7.0	824	6.4
American Tel & Tel	12.7	709	12.8	7.2	814	7.1
Thriftimart	12.7	710	14.6	10.6	559	12.5
Amerace	12.7	711	11.4	8.0	769	7.4
Cincinnati G & E	12.7	712	11.3	6.8	857	6.4
Walt Disney	12.7	712	14.0	11.4	491	12.8
Liberty Natl Life	12.7	714	12.0	12.6	413	12.0
Illinois Power	12.7	715	13.3	6.6	871	6.8

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Carson Pirie Scott	12.6%	716	9.9%	8.3%	751	6.8%
Florida Power	12.6	717	10.7	6.1	907	5.7
Florida Power & Lt	12.6	717	12.8	6.3	891	6.2
No States Power	12.6	717	10.9	6.3	897	5.6
Wisconsin Pwr & Lt	12.6	720	13.1	6.8	856	6.7
Certain-teed	12.6	721	0.2	9.6	649	2.4
Natl Detroit	12.6	721	11.8	11.1	513	10.5
Norfolk & Western Ry	12.6	721	15.1	7.4	802	9.5
Peavey	12.6	721	16.1	9.8	629	11.5
Thrifty Corp	12.6	721	14.8	9.2	690	9.8
Acme-Cleveland	12.6	726	16.7	9.6	650	12.2
Alexander & Baldwin	12.5	727	23.1	9.4	675	14.6
Rose's Stores	12.5	727	12.5	11.2	507	11.0
New England Electric	12.5	729	12.7	6.2	898	6.4
Southwest Forest Inds	12.5	729	12.4	8.2	754	8.0
Wickes Companies	12.5	729	4.7	8.1	763	4.6
Bank of New York	12.5	732	13.2	11.1	518	12.1
McLean Trucking	12.5	733	def	9.6	658	0.5
Central Soya	12.5	734	12.9	9.7	637	10.6
Dibrell Brothers	12.5	734	10.5	10.5	567	9.4
Jewel Companies	12.5	736	14.7	8.1	762	9.2
Beneficial Corp	12.4	737	8.3	6.1	912	4.1
Amstar	12.4	738	15.7	8.9	706	11.5
Kerr Glass Mfg	12.4	738	8.9	9.0	702	6.9
Interpace	12.4	740	8.7	8.4	745	7.0
Allis-Chalmers	12.4	741	8.2	9.5	665	6.7
N Y State Elec & Gas	12.4	742	13.1	6.9	843	7.1
St Regis Paper	12.3	743	13.8	9.0	699	10.0
Univar	12.3	744	16.8	8.3	748	11.1
Armco	12.3	745	14.4	8.8	720	10.3
Union Electric	12.3	746	14.3	6.4	882	6.7
F W Woolworth	12.3	746	12.6	8.2	760	8.3
Bankers Trust N Y	12.3	748	21.3	9.7	631	15.8
Pa Power & Light	12.3	748	10.6	6.8	857	6.0
Frederick & Herrud	12.3	750	13.8	9.0	704	9.8
Pettibone	12.2	751	8.8	8.9	708	6.6
Crown Zellerbach	12.2	752	6.7	8.8	715	6.8
Hoover	12.2	752	15.2	10.7	549	12.3
Celanese	12.1	754	11.2	7.9	773	7.5
Chemical New York	12.1	754	14.4	9.2	693	10.0
Gulf States Utils	12.1	756	14.8	6.0	915	7.1
Allegheny Ludlum Inds	12.1	757	21.1	7.0	835	10.0
UMC Industries	12.1	757	10.2	10.3	587	7.8
WICOR	12.1	757	9.1	**		**
Girard	12.1	760	14.6	9.2	691	11.2
Kellwood	12.1	760	6.6	8.8	715	5.5
Bunker Ramo	12.1	762	15.0	9.4	677	11.3
Zale	12.1	762	14.0	10.8	542	12.0
Wisconsin Elec Power	12.1	764	11.5	6.7	861	6.1
American Can	12.1	765	8.6	8.5	738	6.2
Central Ill Pub Svc	12.1	765	12.0	6.4	884	6.7
Philadelphia Natl	12.0	767	12.7	9.5	667	10.3
Fleetwood Enterprises	12.0	768	def	12.0	449	def
Stop & Shop	12.0	768	7.7	7.5	796	7.1
Southern Calif Edison	12.0	770	11.6	6.9	841	6.9
Diamond Intl	12.0	771	8.4	10.3	589	7.6
Middle South Utils	12.0	771	11.0	6.1	912	5.9
So Carolina E & G	12.0	773	11.5	6.1	905	5.7
Washington National	11.9	774	13.4	10.4	573	12.0
Sears Roebuck	11.9	775	7.5	9.9	614	6.5
Republic Airlines	11.9	776	def	7.7	788	def
J C Penney	11.9	777	8.2	10.0	605	6.6
Roper Corp	11.9	777	4.0	8.9	710	4.7
NL Industries	11.9	779	15.0	9.3	680	11.5
Sheller-Globe	11.9	779	def	7.7	786	0.1

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.
**Not available; not ranked. def: deficit.

Who's where in profitability

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Pacific Pwr & Lt	11.9%	781	10.4%	6.6%	868	5.9%
Anderson, Clayton	11.8	782	10.6	10.9	526	10.6
Consumers Power	11.8	782	9.8	6.0	914	5.5
Carolina Pwr & Lt	11.8	784	9.4	6.2	901	5.3
ASARCO	11.8	785	23.8	9.7	644	19.0
Commercial Metals	11.8	786	22.1	9.5	667	17.5
Collins & Aikman	11.8	787	7.3	9.8	624	5.6
Pac Gamble Robinson	11.8	787	9.9	9.6	659	7.2
PennCorp Financial	11.8	787	10.5	10.4	578	8.7
Kaufman & Broad	11.7	790	16.2	8.8	718	10.6
Equitable of Iowa	11.7	791	12.5	10.2	595	9.2
Knudsen	11.7	792	17.0	7.5	795	10.1
Toledo Edison	11.7	792	10.5	6.6	866	6.4
First Natl Boston	11.7	794	15.4	8.3	749	11.0
Lane Bryant	11.7	794	11.6	10.0	610	10.0
LTV	11.7	796	20.4	5.2	949	7.6
Northwestern Steel	11.7	796	7.8	11.5	484	7.7
Sybron	11.7	796	10.3	9.3	684	8.4
West Point-Pepperell	11.7	796	14.6	9.6	656	11.1
NLT	11.6	800	11.2	11.3	498	10.8
Pacific Lighting	11.6	800	11.3	6.6	865	6.5
SCM	11.6	800	12.9	8.6	735	9.4
Curtiss-Wright	11.6	803	15.1	10.7	549	12.8
Outlet	11.6	803	0.6	9.3	682	3.7
Consolidated Edison	11.6	805	11.2	6.4	881	6.5
Mellon National	11.6	806	13.0	9.9	621	9.8
Pub Svc Elec & Gas	11.6	806	11.8	6.3	894	6.3
AmeriTrust	11.5	808	11.0	11.6	481	11.0
Ford Motor	11.5	809	def	9.6	659	def
Southeast Banking	11.5	810	16.4	8.7	729	11.5
Atlanta Gas Light	11.5	811	10.8	6.2	898	6.1
Owens-Illinois	11.5	811	12.6	7.9	771	8.6
Potomac Elec Power	11.5	813	12.7	6.6	866	6.9
American Elec Power	11.5	814	11.5	6.5	876	6.9
Holiday Inns	11.5	814	15.2	8.6	733	12.3
Johns-Manville	11.5	816	6.4	8.8	721	5.7
Baltimore Gas & Elec	11.4	817	11.4	6.6	871	6.4
Esmark	11.4	818	11.2	8.2	757	7.7
Olin	11.4	818	10.4	8.9	707	8.0
Scott Paper	11.4	818	12.6	8.4	742	9.2
Chase Manhattan	11.3	821	16.3	8.6	732	11.4
Morton-Norwich	11.3	821	14.4	8.8	718	10.6
Hammermill Paper	11.3	823	14.6	7.5	796	9.3
Pacific Gas & Elec	11.3	824	11.8	7.0	828	7.4
Bemis	11.3	825	7.4	8.0	766	3.5
Delmarva Power & Lt	11.3	825	11.3	6.5	879	6.3
BanCal Tri-State	11.3	827	11.3	8.6	733	9.2
Utah Power & Light	11.2	828	11.2	6.8	846	6.8
Northern Trust	11.2	829	11.0	9.7	639	9.7
Allegheny Power	11.2	830	10.8	6.1	910	5.9
Revere Copper	11.1	831	14.3	6.1	903	8.5
Del E Webb	11.1	831	8.5	10.5	564	7.1
Skyline	11.1	833	4.3	11.1	518	4.3
Magic Chef	11.1	834	1.8	10.2	593	3.7
San Diego Gas & Elec	11.1	834	6.2	7.0	824	5.5
Litton Industries	11.0	836	33.1	7.8	778	22.3
Brockway Glass	11.0	837	9.0	8.7	722	7.0
So New England Tel	10.9	838	9.7	6.3	890	5.8
Intl Tel & Tel	10.9	839	13.4	8.4	746	9.7
Oklahoma Gas & Elec	10.9	839	9.5	5.9	917	5.4
Genl Tire & Rubber	10.9	841	2.6	8.3	747	2.8
Allied Chemical	10.9	842	19.1	7.3	809	11.5
Gas Service	10.8	843	8.0	6.3	894	5.4
Nationwide	10.8	844	11.3	10.9	526	11.5
Niagara Mohawk Power	10.8	844	10.4	6.3	893	6.1
Valero Energy	10.8%	846	24.2%	6.2%	902	12.2%
Seagram	10.8	847	11.8	8.4	742	9.8
Bache Group	10.8	848	24.1	9.4	677	18.7
Ohio Edison	10.8	849	9.6	6.1	910	5.7
Amfac	10.8	850	15.5	7.1	819	9.6
Castle & Cooke	10.8	850	4.6	7.8	781	4.7
Brunswick	10.8	852	6.0	8.4	740	5.3
National-Standard	10.8	852	4.8	8.4	740	4.1
Rochester Gas & Elec	10.8	852	10.1	6.4	885	6.4
El Paso	10.7	855	9.7	5.3	947	5.1
Harris Bankcorp	10.7	856	10.2	9.4	670	9.3
Gray Drug Stores	10.7	857	3.5	8.7	724	4.2
Armstrong World Inds	10.6	858	8.7	8.6	731	7.4
National Fuel Gas	10.6	859	10.6	6.9	836	6.8
Eastern Air Lines	10.6	860	def	5.4	941	1.2
Louisville Gas & Elec	10.5	861	11.0	5.9	918	5.8
Bergen Brunswig	10.5	862	18.8	8.7	724	14.5
First Chicago	10.5	862	5.8	8.7	728	5.2
No Indiana Pub Svc	10.5	862	8.1	5.5	931	4.8
Zayre	10.5	862	10.8	6.8	851	7.0
Southern Company	10.5	866	13.2	5.3	945	5.8
United States Filter	10.4	867	12.5	8.8	715	7.3
Santa Fe Industries	10.4	868	13.3	7.2	812	8.9
Dayton Power & Light	10.4	869	10.4	6.4	887	6.0
Cluett, Peabody	10.3	870	9.0	8.7	723	7.2
Central Illinois Lt	10.3	871	10.5	5.5	934	5.4
Gulf Resources & Chem	10.3	871	12.6	7.3	806	7.1
Sperry & Hutchinson	10.3	873	8.1	9.4	672	7.4
Kansas City Pwr & Lt	10.3	874	13.2	5.4	937	6.1
Strawbridge & Clothier	10.3	874	9.2	8.1	765	6.9
Polaroid	10.2	876	8.9	10.2	594	8.9
First Wisconsin	10.2	877	12.9	8.2	761	10.4
Montana Power	10.2	877	10.5	6.3	894	6.4
A O Smith	10.2	877	def	7.9	770	def
Robertshaw Controls	10.2	880	8.6	8.2	759	6.7
GATX	10.1	881	13.3	4.5	961	5.5
Commonwealth Edison	9.9	882	8.7	5.6	928	5.2
Northeast Utilities	9.9	883	8.9	5.7	922	5.3
Phila Electric	9.9	884	10.3	5.6	925	5.8
Williams Companies	9.9	885	18.7	6.4	887	10.3
Amer Maize-Products	9.8	886	11.2	7.8	778	8.3
Rohm & Haas	9.8	886	14.9	7.8	781	11.7
IC Industries	9.8	888	10.2	6.1	908	5.7
Boston Edison	9.7	889	11.8	5.3	943	5.6
Dan River	9.7	890	11.7	7.0	833	8.4
Dillard Dept Stores	9.7	890	8.5	6.4	887	5.7
Va Electric & Power	9.7	890	9.0	5.9	916	5.7
Duquesne Light	9.6	893	10.6	5.6	926	5.9
Public Service Colo	9.6	894	10.4	5.6	930	6.1
Detroit Edison	9.6	895	8.9	5.4	936	5.3
CFS Continental	9.4	896	11.1	7.2	816	8.1
Kaiser Steel	9.4	897	23.8	6.9	849	14.7
Hart Schaffner & Marx	9.4	898	10.4	[illegible]	755	9.2
Graniteville	9.3	899	11.7	[illegible]	775	9.2
Di Giorgio	9.3	900	8.1	6.8	853	5.8
Allied Van Lines	9.2	901	11.6	7.3	810	8.8
American Bakeries	9.2	901	3.3	7.0	826	4.2
Dillingham	9.2	903	14.6	6.1	908	9.2
BancOhio	9.0	904	2.2	8.4	742	2.3
Inland Steel	9.0	905	1.7	6.8	857	2.2
Cannon Mills	8.9	906	9.2	8.8	712	9.1
Inco	8.8	907	13.7	5.7	923	8.5
Control Data	8.8	908	11.3	6.7	860	8.5
Associated Dry Goods	8.8	909	9.5	7.4	801	7.9
Kentucky Utilities	8.8	910	6.7	5.3	943	4.9

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.
def: deficit.

Who's where in profitability

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
J P Stevens	8.8%	910	8.3%	7.0%	826	6.7%
Goodyear	8.7	912	7.9	6.9	838	6.5
American Airlines	8.7	913	def	5.3	942	def
Harnischfeger	8.7	914	2.8	6.5	875	3.7
Burlington Inds	8.6	915	7.7	7.0	833	6.4
Washington Gas Light	8.6	916	7.5	5.4	940	5.0
Olympia Brewing	8.5	917	4.3	7.4	803	4.1
Intl Harvester	8.5	918	def	6.6	871	def
General Public Utils	8.4	919	2.4	5.4	939	3.4
Ceco	8.4	920	15.6	7.1	819	12.5
Westmoreland Coal	8.3	921	def	8.5	736	0.4
Perini	8.1	922	8.1	6.4	880	6.2
UAL	8.1	923	def	4.1	977	0.5
Varian Associates	8.1	924	12.2	7.1	823	10.5
St Louis-San Fran Ry	8.0	925	10.3	5.1	952	6.3
Northwest Airlines	8.0	926	0.4	5.5	933	0.3
Dynalectron	8.0	927	13.4	6.8	853	10.7
Outboard Marine	7.9	928	0.8	6.8	851	1.9
King Kullen Grocery	7.9	929	3.3	7.5	796	3.3
Lukens Steel	7.9	929	3.0	6.7	864	2.3
Portland Genl Elec	7.8	931	7.1	5.6	929	5.0
Singer	7.7	932	10.6	5.7	924	6.3
U S Industries	7.7	932	4.9	6.9	839	4.9
Interlake	7.7	934	2.4	7.0	830	2.7
Springs Mills	7.7	935	9.3	6.6	874	7.6
Zenith Radio	7.7	936	10.1	6.7	862	7.7
Stokely-Van Camp	7.6	937	6.1	6.1	903	5.3
Zapata	7.6	938	13.1	5.0	954	7.5
Ramada Inns	7.5	939	8.5	4.8	960	5.1
Trans World	7.5	940	def	4.5	969	1.5
Reichhold Chemicals	7.4	941	5.3	6.5	877	4.8
Chic Pneumatic Tool	7.4	942	5.6	7.5	793	5.7
Cal-Maine Foods	7.3	943	def	5.0	953	def
Playboy Enterprises	7.3	944	12.8	6.7	863	10.9
Edward Hines Lumber	7.2	945	def	7.0	830	def
Burlington Northern	7.2	946	10.7	5.2	951	7.0
National Steel	7.2	947	6.2	5.5	931	4.9
Foodarama Supermkts	7.2	948	def	6.9	839	def
Citizens & Southern NB	7.1	949	14.9	6.8	846	13.8
Marshall Field	7.1	949	5.5	6.1	905	4.5
Continental Airlines	7.1	951	def	4.4	971	def
Southern Pacific	6.9	952	7.1	4.9	958	4.8
Cyclops	6.8	953	def	5.3	946	1.3
Pabst Brewing	6.8	953	4.1	6.2	900	3.7
B F Goodrich	6.7	955	5.7	5.9	918	5.2
Kuhn's-Big K Stores	6.5	956	def	7.8	784	0.4
G C Murphy	6.5	957	8.0	5.4	937	6.2
Avondale Mills	6.5	958	8.1	6.3	891	7.8
Marine Midland Banks	6.4	959	9.6	5.3	947	7.6
Pan Am World Airways	6.4	959	def	3.9	979	def
Phelps Dodge	6.1	961	9.8	4.9	956	6.7
Fisher Foods	6.0	962	3.8	4.9	957	4.1
Alexander's	5.9	963	1.6	4.2	976	2.6
Coca-Cola Bottling NY	5.8	964	def	5.6	927	def
General Host	5.6	965	23.2	5.2	949	11.6
Phillips-Van Heusen	5.6	966	6.1	4.7	964	5.3
Saxon Industries	5.3	967	6.3	4.3	972	4.8
Republic Steel	5.3	968	1.4	4.3	973	1.5
Mohasco	5.3	969	1.8	4.7	963	3.1
Pamida	5.3	970	5.5	5.4	935	5.5
Warnaco	5.2	971	16.9	5.0	955	11.9
Borman's	5.0	972	def	4.5	966	1.0
Cook United	5.0	973	5.4	4.5	968	5.2
Gino's	4.9	974	def	5.7	921	1.9
Armstrong Rubber	4.6	975	def	4.2	974	def
Akzona	4.5	976	3.0	3.8	980	3.1

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Western Union	4.5%	977	4.9%	4.7%	965	5.0%
Kane-Miller	4.4	978	5.1	4.8	961	5.4
Sherwin-Williams	4.3	979	10.0	3.7	982	5.9
Shopwell	4.1	980	6.4	3.8	981	5.1
Talley Industries	4.1	981	def	4.9	958	def
Questor	3.9	982	def	4.0	978	1.7
United Brands	3.6	983	6.9	3.7	984	5.6
Fidelcor	3.6	984	6.0	3.3	989	4.5
Wheeling-Pitts Steel	3.4	985	4.9	3.4	987	4.4
Kennecott	3.4	986	5.7	3.7	983	5.8
Bell & Howell	3.3	987	14.0	3.1	992	11.0
Bethlehem Steel	3.2	988	4.0	3.3	988	4.0
GAF	3.0	989	5.8	3.2	990	4.5
Savannah Foods	2.7	990	def	2.9	995	def
AM International	2.5	991	1.0	3.1	993	2.0
Pueblo International	2.2	992	11.8	2.3	1001	8.1
Munford	2.1	993	3.0	3.6	985	4.1
Envirotech	1.8	994	def	2.6	997	def
M Lowenstein	1.6	995	0.5	2.8	996	2.5
National Tea	1.2	996	11.2	1.1	1009	7.2
Allied Products	1.2	997	def	2.6	997	0.3
Rohr Industries	1.0	998	1.0	2.4	1000	4.8
Jos Schlitz Brewing	0.7	999	def	1.4	1006	def
Firestone	0.6	1000	def	1.8	1004	def
United States Steel	0.0	1001	def	1.3	1007	def
Vornado	def	1002	def	1.9	1003	1.4
Scot Lad Foods	def	1003	12.5	0.7	1011	7.6
General Refractories	def	1004	1.5	1.9	1002	3.3
Arden Group	def	1005	14.9	3.2	991	8.0
Fed-Mart	def	1006	def	4.5	967	0.2
First Pennsylvania	def	1007	def	1.7	1005	def
Keystone Consolidated	def	1008	def	0.8	1010	def
White Motor	def	1009	def	0.7	1012	def
Macmillan	def	1010	def	def	1016	def
McLouth Steel	def	1011	def	def	1014	def
Braniff Intl	def	1012	def	3.4	986	def
Manhattan Industries	def	1013	def	3.1	994	def
Great Atl & Pac Tea	def	1014	def	def	1015	def
American Motors	def	1015	def	def	1021	def
Commonwealth Oil Rfg	def	1016	def	def	1018	def
Jonathan Logan	def	1017	def	def	1025	def
Culbro	def	1018	def	1.3	1008	def
Uniroyal	def	1019	def	def	1019	def
Monfort of Colorado	def	1020	def	def	1026	def
Goldblatt Brothers	def	1021	def	def	1024	def
Genesco	def	1022	2.0	def	1022	4.2
Massey-Ferguson	def	1023	def	def	1017	def
Penn-Dixie Inds	def	1024	def	def	1027	def
Ward Foods	def	1025	def	def	1023	def
Seatrain Lines	def	1026	NE	2.4	999	def
United Merch & Mfrs	def	1027	def	def	1028	def
Sambo's Restaurants	def	1028	def	4.4	970	def
National Kinney	def	1029	def	0.1	1013	2.1
Chrysler	def	1030	def	def	1031	def
City Stores	def	1031	NE	def	1032	def
Food Fair	def	1032	NE	def	1020	39.6
Rath Packing	def	1033	NE	def	1029	37.6
Allied Supermarkets	def	1034	NE	def	1030	8.8
Coastal Corp	**		21.0	**		8.7
Cross & Trecker	**		25.9	**		24.6
CSX	**		**	**		**
Dart & Kraft	**		**	**		**
Federal Express	**		29.4	**		18.4
IU International	**		44.7	**		13.6
Penn Central	**		11.1	**		8.0

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.
**Not available; not ranked. def: deficit. NE: negative equity.

How they ran, long and short term, in sales and earnings-per-share growth—and, most important, who's staying ahead of inflation.

Who's where in growth

ONE OF THE MOST IMPORTANT FIGURES in the table that follows appears only in the footnotes at the bottom of each page: the 7.1% average annual inflation rate for the U.S. over the last five years, as measured by the government's price deflator for the gross national product.

That unpleasant statistic must be kept in mind in studying the "growth" record of any company. It means that if a company's average annual earnings gain fails to match that 7.1% benchmark the company is not keeping pace with inflation, and the hard truth is that 274 of the 1,012 companies ranked below failed to do so. Of the 738 that did keep up, 334 showed greater sales growth than earnings growth. That does not necessarily mean there is something wrong, but it can suggest problems like dilution or perhaps weak earnings from acquisitions or market-share gains.

Too, what looks like a growth company may not be one. We use an average of earnings during the period 1971-75 as a base. So if a company had deficits in one or more of those years, the road back to "normal" profitability would initially look like unusually rapid earnings growth. Similarly, some companies with good recent profitability may show up near the bottom of the growth list because of the statistical difficulty of representing a deficit-to-profit history.

For this reason, it is useful to compare the short-term growth (1980 *vs.* the 1977-79 average base period) with the five-year average. Take a look at RLC and Boise Cascade, for example—both near the top of the earnings-growth list over five years, but both with *negative* growth over the short term. On the other side of the coin, look at turnaround companies like Gillette, St. Joe Minerals or Texaco: Short-term earnings growth last year was from 7 to 23 times their mediocre five-year base.

Comparing sales growth to earnings growth can also be useful. Booming Boeing, for example, ranks 572nd in sales growth but 26th in earnings growth; its earnings have grown more than 3 times as fast as its sales over the last five years. Or, as proof that maximizing sales doesn't necessarily maximize profits, even in a classic growth industry, look at Amdahl, the California computer company: 43rd among all 1,041 companies in sales growth with a spectacular annual average of 33.4%, but with negative earnings growth.

Who's where in growth

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Cook United	213.5%	1	16.4%	-4.9%	1032	1.9%
RLC	210.4	2	-4.0	10.4	792	33.1
U S Air	136.8	3	49.1	15.8	404	52.7
Boise Cascade	134.1	4	-2.7	12.1	681	13.9
Federal Express	112.2	5	159.0	59.0	4	155.9
American Standard	101.5	6	45.9	6.6	965	25.9
Savin	101.3	7	0.1	36.3	34	72.9
Resorts Intl	93.9	8	9.8	39.9	19	66.5
ConAgra	90.6	9	22.0	7.7	926	69.2
Subaru of America	87.0	10	109.0	46.9	6	68.2
Bunker Ramo	80.5	11	34.5	7.0	949	18.8
Avco	73.6	12	-17.7	7.5	934	21.2
Tosco	73.3	13	116.7	46.1	8	62.8
Kay	68.0	14	63.8	25.2	91	60.7
SCOA Industries	64.3	15	36.1	15.1	453	14.0
Whittaker	61.5	16	77.2	7.7	927	44.7
Shearson Loeb Rhoades	59.3	17	285.4	36.0	39	215.2
Bergen Brunswig	59.0	18	127.0	12.8	639	43.1
Arcata	54.4	19	24.0	17.1	332	68.3
Best Products	53.6	20	17.0	38.2	26	61.5
Litton Industries	52.8	21	530.6	6.3	972	13.9
Teledyne	51.8	22	37.6	11.0	747	15.8
Tandy	51.7	23	75.5	25.6	86	32.9
Sun Chemical	48.9	24	44.7	13.7	563	23.9
Storage Technology	48.6	25	52.3	44.0	11	76.0
Boeing	46.3	26	71.6	13.6	572	54.1
Houston Oil & Minerals	44.1	27	7.6	65.9	2	13.1
Evans Products	43.2	28	-9.3	4.5	1003	22.3
Meredith	43.0	29	58.3	13.2	605	28.7
Fairchild Industries	42.6	30	93.5	18.1	264	47.6
Pneumo	42.2	31	30.3	14.7	482	41.2
Charter	41.6	32	13.5	30.9	58	77.7
Service Merchandise	41.4	33	-11.7	42.8	12	51.2
Cincinnati Milacron	41.3	34	110.6	11.9	696	24.8
Crown Central Petroleum	41.1	35	-5.9	23.0	126	66.3
NCR	41.1	36	1.6	8.8	876	19.0
United Energy Resources	40.0	37	51.5	32.4	50	75.2
Shaklee	40.0	38	-39.9	31.5	54	46.7
Standard Oil Ohio	39.8	39	173.4	27.3	75	87.4
Intel	39.5	40	80.7	45.5	9	85.2
Dan River	39.4	41	34.0	6.8	955	11.6
Wang Laboratories	39.0	42	181.8	38.9	21	177.7
Ryder System	38.9	43	-0.1	20.0	190	40.2
Business Men's Assur	38.8	44	18.8	6.7	961	8.0
Levi Strauss	38.5	45	43.9	21.6	154	49.4
Mission Insurance	38.3	46	55.0	31.4	55	46.1
Twentieth Century-Fox	38.3	47	-1.4	18.7	240	39.2
Clark Oil & Refining	37.9	48	142.1	20.1	186	56.6
Old Republic Intl	37.5	49	-2.0	23.2	118	50.9
General Instrument	36.8	50	55.4	10.9	758	36.9
Ruddick	36.7	51	24.2	12.4	663	22.6
Scovill	36.2	52	-17.7	7.5	935	17.5
Cabot	36.0	53	188.8	20.9	163	74.7
Food Town Stores	35.9	54	47.3	33.4	44	61.1
Metromedia	35.8	55	63.5	13.7	558	22.2
Schlumberger	35.3	56	67.9	23.6	110	67.2
Gelco	34.9	57	90.8	60.0	3	100.4
Hardee's Food Systems	34.8	58	42.0	17.1	321	49.7
Holly Corp	34.8	59	36.4	35.4	41	94.0
Warner Communications	34.7	60	74.6	19.3	214	37.0
Wal-Mart Stores	34.7	61	54.9	40.7	17	44.1
Data General	34.5	62	33.3	46.5	7	71.8
Humana	34.4	63	138.0	39.8	20	77.7
Mitchell Enrgy & Dev	34.4	63	103.7	36.4	33	76.9
Digital Equipment	34.1	65	63.4	37.2	29	76.9
Lear Siegler	34.0%	66	20.0%	13.2%	606	27.8%
Dorchester Gas	33.9	67	104.8	66.5	1	204.1
Cross & Trecker	33.7	68	85.4	17.5	293	54.3
Olin	33.3	69	8.7	9.3	859	14.0
Fuqua Industries	32.8	70	58.4	23.1	122	23.8
NN	32.7	71	24.9	13.6	574	21.6
Texas Oil & Gas	32.4	72	73.7	44.9	10	56.6
Nucor	32.2	73	83.9	24.3	102	54.8
Northrop	32.2	74	10.1	16.1	382	-5.8
Kaufman & Broad	32.1	75	74.5	8.8	875	12.6
Allis-Chalmers	32.1	76	-29.4	9.1	867	14.7
Pitney Bowes	32.0	77	25.4	16.1	380	54.8
Harris Corp	31.9	78	32.8	15.3	438	64.8
James River Corp Va	31.7	79	38.4	52.6	5	89.1
Natomas	31.4	80	60.5	40.1	18	90.8
Parsons	31.2	81	22.0	11.5	720	-1.7
Fluor	31.1	82	55.3	32.6	48	59.2
Washington Post	31.1	82	-12.3	15.5	421	25.3
Bruno's	30.3	84	85.2	23.5	111	51.3
G Heileman Brewing	30.3	85	67.5	26.2	80	82.6
Tyson Foods	29.9	86	-83.7	17.2	314	35.6
American Financial	29.9	87	-28.9	19.6	200	23.8
Berkshire Hathaway	29.8	88	26.9	30.6	59	11.4
Parker Drilling	29.8	89	30.3	32.5	49	63.7
Dean Foods	29.6	90	31.7	13.6	567	32.4
Hilton Hotels	29.6	90	50.4	5.0	998	22.5
Dayton-Hudson	29.4	92	-14.9	15.1	453	32.7
Big V Supermarkets	29.1	93	22.0	23.0	124	33.2
Entex	29.0	94	-6.1	36.7	31	35.9
U S Fidelity & Gty	28.8	95	22.1	15.5	419	18.3
Cullum Companies	28.7	96	64.5	18.8	233	37.0
H K Porter	28.6	97	2.2	14.8	480	21.3
Parker Pen	28.4	98	38.1	37.1	30	29.7
Morse Shoe	28.3	99	6.8	14.6	493	26.4
Amer Broadcasting	28.3	100	11.2	14.5	497	23.3
MGM Grand Hotels	28.2	101	31.8	23.9	106	37.3
Baker International	28.2	102	57.1	35.4	40	66.0
Alcan Aluminium	28.1	103	74.8	14.6	492	35.5
Centex	27.9	104	111.6	21.8	146	26.7
Hyster	27.6	105	-8.2	13.7	557	13.3
Blue Bell	27.6	106	6.0	18.1	266	51.1
Loews	27.6	107	43.6	25.4	88	25.1
Waste Management	27.6	108	58.0	23.8	108	67.3
Geosource	27.5	109	74.4	24.4	100	62.0
Houston Natural Gas	27.5	110	48.2	31.2	56	44.8
Earth Resources	27.5	111	133.3	29.6	61	103.9
Caesars World	27.5	112	311.7	23.2	119	176.5
Engelhard Minerals	27.4	113	158.7	31.1	57	119.4
Cooper Industries	27.4	114	35.6	26.2	81	86.2
Ashland Oil	27.3	115	-17.7	17.1	324	45.8
Kemper	27.3	116	17.8	21.1	160	38.1
Federal-Mogul	27.2	117	2.0	12.0	690	21.3
Cone Mills	27.1	118	32.4	11.2	738	11.7
Foster Wheeler	27.0	119	32.3	15.1	450	7.9
Natl Semiconductor	26.9	120	154.7	36.1	38	103.2
IU International	26.8	121	220.9	10.0	811	-2.2
Sundstrand	26.8	122	42.2	14.3	520	20.8
Tektronix	26.7	123	37.3	23.5	113	62.4
A O Smith	26.7	124	P-D	7.4	936	-10.8
Curtiss-Wright	26.7	125	67.0	4.7	1002	13.7
EG&G	26.6	126	98.3	25.1	93	33.1
Kelly Services	26.5	127	24.9	23.5	112	42.2
Occidental Petroleum	26.4	128	194.2	15.0	470	67.2
Natl Convenience Strs	26.4	129	66.2	18.9	230	69.7
Pioneer	26.4	130	81.4	28.4	65	47.2

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.1%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product*, which measures inflation in all sectors of the economy. †Latest 12-months. P-D: profit to deficit.

Who's where in growth

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Continental Airlines	26.3%	131	P–D	13.8%	551	29.0%
E-Systems	26.3	132	–28.7%	14.3	516	19.1
Pacific Resources	26.2	133	111.8	33.0	46	63.1
RCA	26.1	134	–2.4	9.6	839	18.9
Alcoa	26.0	135	47.1	14.3	517	24.5
Safeco	25.9	136	7.0	13.5	575	19.6
U S Home	25.8	137	56.0	19.0	226	47.7
Cameron Iron Works	25.7	138	81.6	19.7	196	57.2
General Re	25.6	139	39.6	17.4	297	21.0
Super Valu Stores	25.6	140	33.7	16.0	393	24.4
Varian Associates	25.6	140	89.3	12.3	668	49.4
American Stores	25.6	142	39.0	42.1	13	225.6
Burlington Northern	25.5	143	65.0	14.9	471	43.5
Arvin Industries	25.5	144	–63.5	12.9	632	–9.8
Marley	25.5	145	1.2	20.9	165	82.7
Halliburton	25.4	146	21.6	22.0	143	24.0
Fisher Scientific	25.4	147	44.0	15.3	442	32.0
Raymond Intl	25.3	148	–74.3	22.1	140	17.0
Frontier Airlines	25.3	149	8.6	19.1	224	48.1
Raychem	25.2	150	69.0	24.4	99	93.5
PACCAR	25.0	151	3.5	17.1	328	10.1
Howell	25.0	152	58.6	32.9	47	34.9
Atlantic Richfield	24.9	153	76.6	21.6	152	60.3
Hanover Insurance	24.8	154	38.9	15.7	413	24.2
SmithKline	24.7	155	64.7	19.1	223	54.3
Bausch & Lomb	24.7	156	59.7	13.3	600	27.9
Bally Manufacturing	24.7	157	56.3	24.8	95	93.7
Wallace-Murray	24.7	157	10.3	12.5	657	11.2
Caldor	24.6	159	43.8	22.7	130	31.6
Natl Medical Entrprs	24.6	160	104.8	38.7	22	223.1
Consolidated Papers	24.5	161	23.5	15.6	416	26.6
Superior Oil	24.5	162	138.9	25.2	92	72.7
United Technologies	24.5	163	19.8	22.8	127	69.0
Hughes Tool	24.4	164	57.1	31.5	53	72.2
E F Hutton Group	24.3	165	151.1	27.8	71	92.8
Alexander & Alexander	24.3	166	24.5	27.1	77	37.4
Big Three Industries	24.3	167	41.4	26.7	79	43.8
Supermarkets General	24.3	168	19.4	9.6	840	18.3
Smith International	24.2	169	36.4	23.7	109	52.6
Raytheon	24.2	170	35.6	14.6	489	42.9
Johnson Controls	24.2	171	–28.4	21.7	150	44.9
American Intl Group	24.1	172	40.7	21.6	151	36.6
Capital Cities Commun	24.1	173	38.3	21.8	147	25.7
McDonald's	24.1	173	31.7	23.3	115	28.9
Trinity Industries	24.1	175	128.5	18.8	235	93.4
Beckman Instruments	24.1	176	33.9	16.4	364	62.7
Santa Fe Intl	24.0	177	20.3	22.5	135	80.3
Keystone Foods	23.9	178	22.0	29.9	60	30.8
Rite Aid	23.7	179	25.9	19.7	199	29.7
Aetna Life & Casualty	23.7	180	3.0	15.2	449	33.3
Abbott Laboratories	23.7	181	34.9	17.4	303	31.3
Transamerica	23.7	182	18.4	11.6	714	20.6
Mead	23.6	183	4.5	11.9	698	18.3
Amsted Industries	23.6	184	43.3	12.8	637	30.6
Belco Petroleum	23.6	185	35.1	21.9	145	66.4
Hospital Corp of Am	23.5	186	51.2	27.6	73	57.5
Reynolds Metals	23.4	187	48.9	13.9	544	26.3
Wyman-Gordon	23.4	188	23.5	16.7	353	41.6
Foxboro	23.4	189	–16.6	15.2	447	20.7
Pioneer Hi-Bred Intl	23.3	190	69.6	20.8	167	36.7
Revco D S	23.3	191	36.3	22.5	133	43.0
Denny's	23.2	192	–23.5	24.3	102	41.2
Kaiser Alum & Chem	23.2	192	61.1	14.2	528	25.4
United States Filter	23.2	194	46.6	27.0	78	55.2
Cluett, Peabody	23.2	195	–3.2	3.7	1012	17.2

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
SCM	23.1%	196	35.0%	8.4%	900	22.5%
Dexter	22.8	197	17.7	29.1	62	37.9
Golden West Finl	22.8	198	15.0	37.7	27	55.8
Gates Learjet	22.7	199	41.2	25.4	89	52.7
Hewlett-Packard	22.7	200	63.3	23.3	116	70.6
Niagara Frontier Services	22.6	201	11.7	24.7	97	27.9
Phillips Petroleum	22.6	202	54.9	17.9	270	65.2
Kimberly-Clark	22.6	203	–11.7	10.4	793	27.5
Crum & Forster	22.6	204	23.8	14.6	490	21.5
Archer Daniels Midland	22.4	205	103.4	13.8	555	39.7
AMP	22.4	206	34.2	17.3	310	39.4
Fort Howard Paper	22.3	207	27.4	17.4	302	26.6
Edison Bros Stores	22.2	208	–0.2	13.0	623	14.1
Melville	22.2	209	20.5	19.8	192	27.6
Wheelabrator-Frye	22.1	210	25.6	22.4	138	47.0
Air Prods & Chems	22.1	211	42.8	18.7	247	32.5
Amer Medical Intl	21.9	212	55.4	22.1	142	47.2
Baxter Travenol Labs	21.9	213	26.3	21.5	156	30.6
American General	21.9	214	4.8	11.9	697	25.5
Auto Data Processing	21.9	215	36.9	27.6	72	56.9
Milton Bradley	21.7	216	50.2	14.7	484	53.5
MCA	21.6	217	17.1	16.3	372	23.8
Pennzoil	21.6	218	86.8	19.3	214	50.1
Cummins Engine	21.5	219	P–D	17.2	317	11.2
Moore McCormack Res	21.4	220	44.0	20.0	188	66.2
Ohio Casualty	21.4	221	4.6	18.2	263	18.2
Chubb	21.3	222	24.8	11.2	741	17.1
St Paul Companies	21.3	222	–1.4	15.1	450	24.4
Masco	21.3	224	26.0	24.0	105	29.0
Dover	21.3	225	50.0	16.0	387	50.3
Albertson's	21.1	226	15.2	20.4	181	27.4
Union Pacific	21.0	227	37.4	19.5	206	47.8
Snap-On Tools	21.0	228	18.2	19.2	222	27.1
Owens-Corning Fbrgls	20.9	229	–47.9	20.0	189	22.8
Interpublic Group	20.8	230	8.3	16.1	384	34.2
Chic & North Western	20.8	231	212.1	10.8	765	35.4
Host International	20.8	231	17.0	12.6	650	16.2
Zurn Industries	20.8	233	21.2	6.9	951	13.8
Peoples Drug Stores	20.7	234	43.4	12.1	681	39.1
Combustion Engnrng	20.7	235	121.9	12.4	663	24.8
Morrison-Knudsen	20.7	236	35.9	14.3	517	68.4
Barnes Group	20.7	237	30.5	15.4	429	19.9
DeSoto	20.5	238	14.9	5.7	985	4.0
Marriott	20.5	238	69.2	18.7	242	29.5
Fieldcrest Mills	20.3	240	–17.9	10.6	781	11.8
Philip Morris	20.2	241	43.1	20.8	169	42.4
Modern Merchandising	20.2	242	–57.0	31.6	52	26.0
Consol Freightways	20.1	243	–25.9	16.0	390	18.4
Carpenter Technology	20.1	244	17.7	13.2	604	41.7
Getty Oil	20.1	245	103.6	17.7	285	119.8
Iowa Beef Processors	20.0	246	34.2	17.4	297	46.2
Petrolane	19.9	247	43.2	21.0	162	47.4
Baldwin-United	19.9	248	26.1	26.1	83	114.2
MAPCO	19.8	249	31.0	28.5	63	41.4
Dresser Industries	19.8	250	20.6	19.7	195	27.6
Farm House Foods	19.8	250	22.6	28.2	67	147.1
Northwest Industries	19.8	250	–1.4	18.8	236	20.7
Conoco	19.8	253	77.3	16.7	351	62.5
Midland-Ross	19.7	254	32.1	13.5	578	48.5
American Family	19.7	255	–27.2	38.2	25	38.9
Signal Companies	19.6	256	6.8	17.1	328	17.0
Petrie Stores	19.6	257	1.5	15.2	445	8.5
Wickes Companies	19.6	258	–64.1	12.4	660	10.1
Times Mirror	19.5	259	5.2	15.7	415	29.9
Farmers Group	19.4	260	25.5	14.3	522	24.0

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.1%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product*, which measures inflation in all sectors of the economy. †Latest 12-months. P-D: profit to deficit.

Who's where in growth

	Earnings per share			Sales				Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79	Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Imperial Corp of Am	19.4%	**260**	–24.9%	20.6%	**171**	39.2%	**Gordon Jewelry**	16.9%	**326**	12.3%	16.1%	**386**	56.3%
Bucyrus-Erie	19.4	**262**	–7.9	17.9	**270**	–2.5	**Continental Corp**	16.8	**327**	–10.8	11.3	**736**	10.7
Piedmont Aviation	19.4	**263**	1.5	17.6	**291**	60.2	**Marathon Oil**	16.8	**328**	64.3	21.4	**158**	52.7
Acme-Cleveland	19.3	**264**	43.2	15.4	**424**	42.6	**Intl Flavors & Frag**	16.8	**329**	19.7	15.9	**398**	22.4
R H Macy	19.3	**264**	55.4	10.8	**771**	31.5	**Corning Glass Works**	16.8	**330**	4.5	8.1	**919**	15.9
McGraw-Hill	19.2	**266**	30.1	10.5	**789**	27.5	**American Can**	16.7	**331**	–25.4	11.3	**737**	19.0
Dillon Companies	19.1	**267**	–3.0	20.4	**180**	44.1	**LTV**	16.7	**331**	348.8	8.6	**887**	29.5
Dorsey	19.1	**268**	13.2	20.5	**177**	36.9	**Norton**	16.7	**331**	35.0	15.9	**395**	27.3
Travelers	19.1	**269**	12.5	11.2	**740**	16.6	**Reeves Brothers**	16.7	**334**	21.5	9.3	**857**	5.1
Vulcan Materials	19.1	**269**	32.1	13.6	**567**	18.9	**Kaneb Services**	16.7	**335**	69.2	36.1	**36**	60.0
Seaboard Allied Milling	19.0	**271**	–19.5	8.7	**878**	33.3	**Central Louisiana Engy**	16.7	**336**	85.9	38.7	**23**	98.2
General Dynamics	19.0	**272**	150.2	13.5	**582**	33.8	**Gt Western Financial**	16.7	**336**	–40.8	16.7	**354**	32.9
Ex-Cell-O	18.9	**273**	8.9	15.6	**416**	38.2	**Seaway Food Town**	16.6	**338**	33.9	13.4	**587**	21.9
Heck's	18.9	**274**	38.4	22.4	**137**	39.0	**Martin Marietta**	16.6	**339**	29.5	10.5	**784**	41.3
Norfolk & Western Ry	18.9	**275**	52.5	5.9	**980**	21.3	**Pay'n Save**	16.6	**340**	8.7	25.2	**90**	21.6
Crouse-Hinds	18.8	**276**	33.0	20.5	**176**	22.6	**United States Shoe**	16.6	**341**	45.7	12.5	**658**	30.5
Alco Standard	18.8	**277**	15.0	15.1	**459**	43.3	**Longs Drug Stores**	16.5	**342**	23.0	17.9	**273**	29.3
North American Coal	18.8	**278**	30.8	16.9	**346**	40.1	**PepsiCo**	16.5	**343**	24.0	19.6	**201**	31.9
Perini	18.8	**278**	35.8	16.0	**387**	76.4	**Colonial Penn Group**	16.5	**344**	–9.6	23.2	**117**	21.6
Blount	18.8	**280**	28.3	9.1	**868**	30.9	**Marsh & McLennan Cos**	16.5	**345**	25.6	16.1	**380**	31.8
Kerr Glass Mfg	18.7	**281**	–7.1	11.7	**711**	28.8	**Dana**	16.4	**346**	–35.2	18.3	**258**	11.2
Mallinckrodt	18.7	**282**	8.6	16.7	**351**	19.7	**J P Stevens**	16.4	**347**	8.0	9.4	**848**	13.8
Missouri Pacific	18.7	**282**	14.1	14.2	**526**	25.3	**Tyler**	16.4	**348**	–6.8	15.5	**420**	30.2
Federal Co	18.6	**284**	–44.4	15.9	**398**	38.5	**Flowers Industries**	16.4	**349**	8.2	20.9	**166**	17.6
Pay Less Drug NW	18.4	**285**	27.5	19.4	**210**	64.6	**Westinghouse Electric**	16.4	**350**	33.8	5.0	**996**	23.5
W W Grainger	18.4	**286**	10.2	19.2	**221**	26.3	**Avnet**	16.3	**351**	59.1	15.2	**446**	52.8
Idle Wild Foods	18.4	**287**	2.9	10.1	**809**	32.9	**Nashua**	16.3	**352**	–3.2	17.0	**334**	26.9
Roper Corp	18.3	**288**	–60.9	7.3	**942**	0.0	**Republic Finl Svcs**	16.3	**353**	2.1	16.8	**349**	17.0
Time Inc	18.3	**289**	3.0	20.9	**163**	53.0	**Crown Cork & Seal**	16.3	**354**	20.0	14.4	**506**	17.7
General Signal	18.1	**290**	31.1	22.0	**144**	35.7	**Emhart**	16.3	**354**	–10.0	36.6	**32**	28.2
Kroger	18.0	**291**	18.4	12.6	**649**	25.2	**Brown-Forman Dist**	16.2	**356**	91.7	11.7	**708**	55.5
Thiokol	18.0	**292**	16.1	12.6	**648**	18.7	**General Cinema**	16.2	**357**	10.4	17.1	**324**	26.7
Perkin-Elmer	18.0	**293**	78.3	21.7	**149**	82.2	**Gibraltar Financial**	16.2	**357**	P–D	23.2	**120**	47.3
Texas Instruments	18.0	**293**	42.2	17.6	**288**	49.4	**Allen Group**	16.2	**359**	0.3	11.0	**751**	14.4
Jack Eckerd	18.0	**295**	31.1	24.4	**100**	35.1	**H F Ahmanson**	16.2	**360**	–42.8	19.3	**213**	29.1
Revlon	18.0	**295**	23.4	22.1	**141**	43.5	**Amer Hospital Supply**	16.2	**360**	34.1	16.0	**387**	27.5
Riegel Textile	18.0	**297**	32.0	9.8	**823**	28.9	**Weis Markets**	16.1	**362**	22.9	13.4	**584**	24.0
American Natl Ins	17.9	**298**	10.2	10.6	**783**	13.2	**Celanese**	16.0	**363**	1.1	10.8	**768**	20.7
Knight-Ridder News	17.9	**299**	18.1	15.9	**397**	22.1	**Intl Minerals & Chem**	16.0	**364**	33.4	14.3	**521**	35.8
Oklahoma Natural Gas	17.9	**300**	6.1	32.3	**51**	37.0	**Motorola**	16.0	**365**	33.2	12.9	**632**	35.3
Handy & Harman	17.8	**301**	115.7	12.0	**689**	54.4	**Rainier Bancorp**	16.0	**365**	10.7	17.5	**295**	52.2
PennCorp Financial	17.8	**302**	3.0	17.4	**300**	44.5	**Levitz Furniture**	16.0	**367**	–6.8	8.4	**896**	3.6
American Express	17.7	**303**	21.3	16.2	**376**	30.1	**Paine Webber**	16.0	**367**	–55.9	26.1	**84**	112.7
Gannett	17.7	**304**	28.6	21.0	**161**	52.3	**Upjohn**	16.0	**367**	34.6	15.4	**429**	28.7
United States Gypsum	17.6	**305**	–1.7	12.4	**662**	8.7	**Westvaco**	16.0	**370**	28.1	12.1	**680**	25.7
Universal Leaf	17.6	**306**	36.4	8.5	**889**	28.0	**Amerada Hess**	15.9	**371**	99.1	19.2	**218**	44.6
Gulf & Western Inds	17.6	**307**	48.6	16.9	**345**	20.9	**United Refining**	15.9	**371**	–3.5	20.1	**184**	54.3
K mart	17.5	**308**	–17.9	18.8	**238**	20.7	**Rexnord**	15.9	**373**	–12.0	14.6	**493**	23.2
City Investing	17.5	**309**	2.8	15.6	**418**	33.7	**Potlatch**	15.8	**374**	–33.4	11.3	**735**	4.0
Marsh Supermarkets	17.4	**310**	13.3	11.4	**728**	20.0	**Murphy Oil**	15.8	**375**	117.0	17.6	**292**	42.6
Empire	17.3	**311**	36.1	28.3	**65**	121.0	**Control Data**	15.8	**376**	52.2	13.7	**558**	34.7
Provident Life & Acc	17.3	**312**	15.6	7.5	**932**	7.7	**Genuine Parts**	15.8	**377**	26.1	17.0	**334**	23.5
Shell Oil	17.2	**313**	58.9	17.4	**303**	60.0	**Pillsbury**	15.7	**378**	31.5	17.3	**309**	73.7
Sun Company	17.1	**314**	75.5	24.1	**104**	50.6	**Carson Pirie Scott**	15.7	**379**	–12.1	5.6	**986**	6.2
Sonoco Products	17.1	**315**	31.6	14.2	**529**	37.3	**Joy Manufacturing**	15.7	**379**	27.8	14.4	**502**	28.9
Hoover Universal	17.1	**316**	–38.0	15.3	**434**	13.2	**A C Nielsen**	15.7	**381**	19.4	17.7	**282**	49.2
Circle K	17.1	**317**	95.5	19.5	**206**	59.4	**Colt Industries**	15.7	**382**	15.0	15.2	**443**	17.7
Rose's Stores	17.1	**318**	13.2	8.4	**902**	4.5	**UAL**	15.7	**383**	P–D	12.9	**630**	34.5
H J Heinz	17.1	**319**	41.0	12.2	**678**	43.1	**InterNorth**	15.7	**384**	46.3	20.1	**187**	42.8
Deluxe Check Printers	17.0	**320**	33.2	15.4	**429**	29.1	**Texas Commerce Bshs**	15.6	**385**	40.5	28.1	**69**	68.4
Walt Disney	17.0	**321**	37.4	14.8	**480**	26.6	**GK Technologies**	15.6	**386**	75.0	15.4	**432**	37.5
Nalco Chemical	16.9	**322**	34.6	16.1	**385**	22.5	**Sysco**	15.6	**387**	56.8	19.0	**227**	48.0
Maryland Cup	16.9	**323**	32.6	16.6	**362**	34.8	**Ametek**	15.5	**388**	6.8	12.0	**691**	17.5
Walgreen	16.9	**323**	46.4	6.6	**963**	22.1	**Connecticut General**	15.5	**388**	20.2	13.1	**611**	11.8
Lubrizol	16.9	**325**	48.1	16.2	**377**	44.2	**Leaseway Transportation**	15.5	**388**	13.4	13.7	**565**	15.5

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.1%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product*, which measures inflation in all sectors of the economy. †Latest 12-months. P-D: profit to deficit.

Who's where in growth

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Standard Oil Indiana	15.5%	391	56.5%	18.6%	249	55.0%
Malone & Hyde	15.5	392	30.3	17.4	297	37.3
Security Pacific	15.5	393	24.4	16.8	347	60.4
Bendix	15.5	394	27.1	10.5	784	7.2
Fred Meyer	15.5	394	–9.3	15.9	394	24.2
Mercantile Texas	15.5	396	25.5	41.4	16	67.3
Alleghany	15.5	397	36.4	41.8	14	139.7
BanCal Tri-State	15.5	398	–9.4	7.9	922	39.4
Diamond Shamrock	15.5	398	8.3	20.2	183	60.1
Peabody Intl	15.4	400	4.0	20.6	172	31.2
Shopwell	15.4	401	72.9	7.8	925	22.1
Ideal Basic Inds	15.3	402	32.7	11.5	724	14.4
Southland	15.3	402	13.0	17.9	274	44.7
Union Camp	15.3	404	23.7	11.4	728	26.1
Kellogg	15.3	405	20.7	14.0	541	23.0
General Mills	15.3	406	27.5	15.1	458	29.9
Quaker Oats	15.3	407	29.2	12.6	651	42.9
North Amer Philips	15.2	408	3.3	20.1	185	18.0
Borg-Warner	15.2	409	–1.5	9.5	844	13.9
INA	15.2	410	28.8	16.7	356	21.6
Wells Fargo	15.2	411	5.6	16.7	356	57.0
BankAmerica	15.1	412	27.6	18.7	242	61.1
CBS	15.1	412	–3.5	15.0	469	22.1
Freeport Minerals	15.1	414	176.7	15.2	444	67.3
U S Bancorp	15.1	414	22.3	15.7	410	44.4
Cessna Aircraft	15.1	416	–30.5	17.6	290	29.4
Hershey Foods	15.1	416	21.4	13.9	545	47.5
Ogden	15.1	418	14.3	6.9	953	15.7
Universal Foods	15.1	419	–17.1	19.8	194	45.4
Stauffer Chemical	15.1	420	2.4	14.5	498	20.3
Economics Laboratory	15.0	421	15.9	16.3	375	41.4
Penn Traffic	15.0	421	11.7	17.7	281	25.4
DEKALB AgResearch	15.0	423	28.1	18.[illegible]	269	30.2
Copeland	15.0	424	45.1	11.[illegible]	726	23.5
TRW	15.0	425	15.5	13.2	609	26.1
Ball Corp	15.0	426	23.5	16.7	356	27.6
Burroughs	14.9	427	8.8	13.5	575	21.0
Republic New York	14.9	427	120.4	36.1	37	150.2
Witco Chemical	14.9	429	14.7	15.0	465	43.6
Roadway Express	14.9	430	27.8	16.7	360	18.3
Bache Group	14.9	431	296.0	16.3	374	96.8
Republic Natl Life	14.8	432	12.3	3.9	1010	–4.0
Sperry	14.8	433	21.1	10.2	804	21.8
Southwest Forest Inds	14.8	434	3.9	11.7	713	17.4
Republic of Texas	14.8	435	19.9	22.7	130	77.8
Black & Decker	14.7	436	26.6	17.0	341	45.0
Dow Jones	14.7	437	18.8	15.7	408	35.3
West Point-Pepperell	14.7	438	55.8	14.7	484	37.7
Honeywell	14.7	439	13.5	8.6	885	32.7
Johnson & Johnson	14.7	440	26.5	16.7	360	30.9
Mobil	14.6	441	101.9	22.6	132	53.4
Valley Natl Bk Ariz	14.6	441	36.6	14.7	487	59.6
George A Hormel	14.6	443	52.2	8.2	915	4.7
Gt Northern Nekoosa	14.6	444	35.4	15.1	460	32.0
A-T-O	14.6	445	41.2	8.2	912	19.5
Earle M Jorgensen	14.6	445	19.3	10.9	758	19.8
Pennwalt	14.5	447	–5.7	12.1	685	23.8
Lone Star Industries	14.5	448	29.2	9.3	854	–3.1
Cities Service	14.5	449	110.8	17.9	272	45.4
Willamette Inds	14.5	450	12.8	18.6	249	19.2
St Louis-San Fran Ry	14.5	451	39.7	9.4	850	27.2
Stanley Works	14.4	452	4.4	11.8	703	21.1
Harsco	14.4	453	0.5	14.4	511	29.4
General Foods	14.4	454	7.3	12.4	666	14.0
Fruehauf	14.4	455	–48.5	19.4	208	0.0

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Magic Chef	14.4%	455	–86.5%	15.3%	439	81.4%
National Gypsum	14.3	457	0.0	8.4	899	10.8
Santa Fe Industries	14.3	458	42.8	13.4	588	40.5
Emerson Electric	14.3	459	27.3	18.7	242	39.4
Campbell Taggart	14.3	460	19.3	12.9	625	22.0
Minn Mining & Mfg	14.3	461	22.7	13.4	588	26.6
Di Giorgio	14.3	462	–18.8	11.4	727	–3.1
Schering-Plough	14.3	462	27.0	14.6	491	47.2
Western Bancorp	14.3	464	22.3	13.9	547	52.5
R R Donnelley & Sons	14.2	465	21.1	14.9	472	35.1
Trane	14.2	465	43.7	12.0	691	34.7
Emery Air Freight	14.2	467	–6.7	19.4	208	27.4
Norris Industries	14.2	468	–39.8	10.7	778	–1.1
Zayre	14.2	469	20.5	7.2	944	13.3
CPC International	14.2	470	23.2	10.0	812	22.9
Standard Oil Calif	14.1	471	77.0	19.6	203	57.3
Dennison Mfg	14.0	472	–1.4	14.1	538	18.9
Caterpillar Tractor	13.9	473	–10.6	14.6	493	13.5
Springs Mills	13.9	474	31.1	9.3	853	25.3
Delta Air Lines	13.9	475	–11.0	16.4	365	51.2
First City Bancorp	13.9	476	36.0	24.7	96	72.1
Georgia-Pacific	13.9	476	–16.5	16.2	379	14.5
Bristol-Myers	13.8	478	27.1	12.0	688	24.3
Illinois Tool Works	13.8	479	21.1	13.4	585	16.9
Waldbaum	13.7	480	21.1	14.2	524	24.6
McCormick	13.7	481	18.3	16.4	367	29.3
Nationwide	13.7	482	21.4	10.7	776	5.3
Curtice-Burns	13.7	483	–1.7	27.4	74	41.1
So Natural Resources	13.7	483	29.2	19.8	192	58.9
Anderson, Clayton	13.7	485	19.9	6.8	956	25.7
PPG Industries	13.7	485	29.7	12.1	683	11.4
Continental Group	13.6	487	31.8	9.0	872	14.1
First Intl Bshs	13.6	488	31.5	23.0	123	66.5
New York Times	13.6	488	55.6	9.6	832	29.6
Parker-Hannifin	13.6	490	17.2	17.1	324	50.6
First Charter Finl	13.5	491	–53.2	18.8	236	31.1
Avery International	13.5	492	22.2	16.2	377	24.0
Lincoln National	13.5	492	13.0	13.1	619	19.9
Allied Stores	13.4	494	–4.4	5.8	981	7.1
Interpace	13.4	494	–26.8	6.4	968	13.4
Kidde	13.4	494	33.6	14.4	505	32.9
Dun & Bradstreet	13.4	497	36.6	12.5	658	44.0
IC Industries	13.3	498	10.5	19.4	212	47.9
IBM	13.3	498	13.9	13.1	613	22.0
Southern Railway	13.3	500	26.6	10.6	782	24.5
Carnation	13.2	501	23.6	10.7	777	21.1
Equitable of Iowa	13.2	50[illegible]	27.1	13.4	591	49.0
Flickinger	13.2	501	27.0	17.2	311	18.7
Seafirst	13.2	501	19.4	18.1	266	64.3
Del E Webb	13.2	505	–23.2	8.1	920	5.7
Rollins	13.2	506	33.7	12.9	630	38.7
Becton, Dickinson	13.1	507	14.3	15.1	450	35.3
Louisiana-Pacific	13.1	507	–15.2	23.0	125	15.9
Tecumseh Products	13.1	509	–11.3	9.8	821	1.0
Crocker National	13.1	510	8.0	15.9	395	59.9
Godfrey	13.1	510	7.7	12.0	691	17.4
American Brands	13.1	512	66.4	9.7	827	25.6
Combined Internatnl	13.0	513	16.0	12.9	626	25.1
McDonough	13.0	514	–16.1	9.4	847	9.8
Pettibone	13.0	515	–18.9	12.6	653	22.6
Ralston Purina	12.9	516	14.4	11.1	745	18.1
Deere	12.9	517	–20.3	15.8	403	24.9
McGraw-Edison	12.9	518	–17.4	11.2	741	92.8
Merck	12.9	519	28.0	12.7	645	30.7
Koppers	12.9	520	–19.0	15.0	468	21.5

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Who's where in growth

Company	Earnings per share			Sales			Company	Earnings per share			Sales		
	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79		5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Nabisco	12.8%	521	29.5%	8.3%	909	12.7%	Avon Products	11.3%	586	5.6%	12.3%	669	24.4%
Echlin Manufacturing	12.8	522	–58.0	17.0	342	10.1	National Svc Inds	11.3	586	43.5	8.5	891	29.5
Sigmor	12.8	523	99.2	37.7	27	169.7	Dibrell Brothers	11.2	588	0.7	10.2	801	8.6
Dow Chemical	12.7	524	19.1	17.2	314	38.1	Texas Gas Transmn	11.2	589	38.9	18.2	260	59.7
Chesebrough-Pond's	12.7	525	37.2	16.4	369	35.3	Clark Equipment	11.2	590	–24.4	6.0	977	7.7
Gould	12.7	526	–23.1	24.6	98	14.7	Northwest Energy	11.2	590	42.6	28.2	68	43.8
Super Food Services	12.6	527	–2.0	17.7	285	36.3	Gifford-Hill	11.2	592	–25.4	15.9	400	51.4
Square D	12.6	528	13.0	13.5	577	29.9	E I du Pont	11.1	593	–6.3	12.9	628	22.7
FMC	12.6	529	2.6	9.6	837	22.0	Consolidated Edison	11.1	594	8.0	10.7	774	21.9
Ryan Homes	12.5	530	–0.5	17.0	337	8.0	Stanadyne	11.1	595	–19.8	13.1	618	12.1
Insilco	12.5	531	19.8	8.2	914	33.1	USLIFE	11.1	596	3.7	11.9	699	21.6
Jefferson-Pilot	12.5	531	13.4	10.4	793	15.3	Masonite	11.0	597	–19.1	11.6	714	1.0
Michigan National	12.5	533	–4.1	15.4	424	38.4	Suburban Propane Gas	11.0	598	41.9	20.8	168	66.7
CBI Industries	12.4	534	18.0	7.4	938	15.0	May Dept Stores	11.0	599	–1.6	10.3	798	17.5
Amer Hoist & Derrick	12.4	535	18.0	11.3	734	24.2	Whirlpool	10.9	600	–12.9	6.3	969	5.6
Briggs & Stratton	12.3	536	21.8	13.7	561	49.2	Kerr-McGee	10.8	601	28.7	17.8	275	42.4
Giant Food	12.3	536	–0.2	10.2	802	27.7	Ethyl	10.8	602	–3.1	12.8	636	19.7
Union Oil Calilornia	12.3	536	53.0	15.1	460	46.8	Scott & Fetzer	10.8	602	–17.0	15.4	426	30.8
Trans Union	12.3	539	19.4	17.3	305	23.0	National Distillers	10.8	604	–14.5	8.2	911	13.4
Dart & Kraft	12.2	540	12.5	9.6	832	19.6	Hannaford Bros	10.8	605	24.2	13.3	594	20.2
Continental Illinois	12.2	541	26.7	19.5	205	86.7	Transway Intl	10.7	606	–28.9	9.7	830	4.6
American Home Products	12.2	542	23.9	10.9	756	20.7	AMAX	10.7	607	131.5	14.8	479	51.8
Browning-Ferris Inds	12.2	542	38.1	11.2	738	40.7	American Greetings	10.7	608	12.0	11.7	706	20.6
SEDCO	12.2	542	14.0	19.4	211	2.0	Beatrice Foods	10.7	608	9.7	15.3	439	15.6
General Electric	12.2	545	19.6	11.4	730	21.6	Pfizer	10.7	608	17.4	12.9	632	23.9
Dayco	12.1	546	–43.0	11.1	743	12.6	Bemis	10.7	611	–28.0	5.5	988	1.7
Northwest Bancorp	12.1	547	22.7	17.2	319	53.8	Crane	10.7	611	–12.6	6.3	972	17.7
Procter & Gamble	12.0	548	25.9	14.4	510	33.7	Certain-teed	10.7	613	–98.2	12.5	654	0.5
International Paper	12.0	549	–24.7	10.8	765	20.8	Timken	10.7	613	12.4	13.8	549	18.8
Lowe's Companies	12.0	549	–19.2	17.2	314	10.5	Polaroid	10.6	615	–0.1	13.0	621	11.9
Eli Lilly	12.0	551	20.5	14.1	538	32.4	Armco	10.6	616	32.0	11.9	695	25.2
Central Steel & Wire	12.0	552	–31.8	12.4	661	1.6	Rockwell Intl	10.5	617	36.8	11.8	704	17.0
Weyerhaeuser	12.0	552	–5.6	13.1	616	18.5	Ark Louisiana Gas	10.5	618	40.9	17.3	305	62.3
Capital Holding	12.0	554	17.8	8.4	902	10.0	Owens-Illinois	10.5	619	31.8	11.1	746	23.3
Transco Companies	12.0	554	56.2	19.7	198	107.9	Champion Intl	10.5	620	–18.7	9.8	820	7.5
Signode	11.9	556	4.7	12.9	628	15.7	NLT	10.5	620	9.8	9.7	828	20.0
A E Staley Mfg	11.9	557	197.2	19.8	191	31.9	J P Morgan	10.4	622	29.9	17.0	340	82.9
Coca-Cola	11.9	558	10.8	14.1	534	31.8	F W Woolworth	10.4	623	17.0	10.7	779	16.2
McDermott	11.9	559	–34.0	33.2	45	32.8	National City	10.4	624	7.9	18.3	256	67.0
Eagle-Picher Inds	11.9	560	–8.9	10.9	757	3.1	Wachovia	10.4	624	20.3	11.7	708	55.2
Texas Eastern	11.8	561	39.4	21.6	153	71.1	Seagram	10.3	626	25.5	6.3	971	8.5
ACF Industries	11.8	562	36.8	13.3	596	19.6	Nash Finch	10.2	627	–3.7	14.7	488	21.8
Scott Paper	11.8	562	31.9	12.3	669	18.7	Maytag	10.1	628	4.0	9.6	832	10.1
Citicorp	11.7	564	21.1	20.5	179	70.7	Textron	10.1	629	2.1	10.0	814	14.1
Eaton	11.7	565	–4.2	13.3	599	17.3	Olympia Brewing	10.1	630	–50.0	17.1	332	5.9
Kings Dept Stores	11.7	566	–45.6	13.1	616	7.7	Exxon	10.1	631	82.5	17.2	312	53.2
Liquid Air of No Amer	11.7	567	6.5	15.4	426	27.3	Longview Fibre	10.1	631	–40.1	11.7	706	21.1
Panhandle Eastern	11.7	567	27.5	23.4	114	50.8	Richardson-Merrell	10.1	633	40.5	13.5	582	31.8
Cannon Mills	11.7	569	8.7	8.5	889	15.4	White Consolidated	10.1	633	–14.1	13.2	603	21.7
Lucky Stores	11.6	570	8.9	15.3	434	33.1	Anchor Hocking	10.1	635	–15.1	13.5	580	18.8
Consol Natural Gas	11.6	571	–5.8	17.0	343	41.9	Harvey Hubbell	10.0	636	32.5	14.1	538	42.8
Winn-Dixie Stores	11.6	572	13.4	15.0	464	25.6	Coastal Corp	10.0	637	37.4	38.5	24	57.8
Brown Group	11.6	573	28.5	9.7	824	21.8	First Bank System	10.0	637	21.5	15.3	434	54.5
Athlone Industries	11.6	574	–61.5	5.9	979	9.7	Merrill Lynch	9.9	639	128.6	17.2	320	76.1
Xerox	11.5	575	22.8	15.1	455	31.3	Campbell Soup	9.9	640	15.6	10.1	810	32.2
Stone Container	11.5	576	92.9	13.0	624	25.8	Mercantile Stores	9.9	640	–3.6	12.3	674	17.9
Dillingham	11.5	577	135.5	8.7	882	33.7	Pittsburgh National	9.8	642	30.2	16.3	371	76.2
Fleming Companies	11.5	578	28.0	15.8	406	21.1	Hanna Mining	9.7	643	9.0	8.6	883	0.5
H H Robertson	11.5	578	62.4	7.2	945	39.2	Louisiana Land	9.7	644	43.1	24.8	94	69.3
Consolidated Foods	11.5	580	30.3	13.6	569	46.9	Manufacturers Hanover	9.6	645	17.4	18.9	229	73.1
Butler Manufacturing	11.4	581	–11.4	12.4	663	6.0	Toro	9.6	646	P–D	18.4	254	39.0
Dravo	11.4	582	–16.0	12.3	674	17.6	Federated Dept Stores	9.6	647	30.1	12.3	672	13.8
Irving Bank	11.3	583	49.1	13.2	609	75.0	Central Tel & Utils	9.6	648	12.4	15.7	412	38.0
Borden	11.3	584	7.9	7.8	923	20.0	Ferro	9.6	649	9.5	14.9	472	33.7
Hammermill Paper	11.3	584	56.1	14.2	529	25.1	Chromalloy American	9.5	650	–15.7	15.0	463	13.7

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Who's where in growth

	Earnings per share			Sales				Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79	Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Gulf Oil	9.5%	650	53.7%	13.9%	545	30.6%	Holiday Inns	7.7%	716	57.4%	6.2%	975	26.3%
Liberty Natl Life	9.5	650	10.5	9.4	848	17.9	Intl Harvester	7.7	717	P–D	9.5	841	–7.5
NVF	9.5	653	–48.6	9.3	854	37.9	Dean Witter Reynolds	7.7	718	101.1	22.5	134	80.8
Jim Walter	9.4	654	–15.5	10.2	806	19.4	General Tel & Elec	7.6	719	–30.4	11.7	712	14.8
Stewart-Warner	9.4	654	–7.5	7.6	929	3.9	McDonnell Douglas	7.6	720	–7.8	9.6	831	36.4
Yellow Freight System	9.4	654	–39.7	17.3	305	5.3	**Wisconsin Public Svc**	7.6	720	7.6	16.7	359	24.1
R J Reynolds Inds	9.4	657	32.8	15.8	406	37.2	**ARA Services**	7.6	722	16.4	14.1	536	59.1
Sunbeam	9.4	657	0.7	12.3	672	10.3	**Robertshaw Controls**	7.5	723	–14.1	10.7	779	14.8
National Can	9.4	659	96.7	14.4	511	29.8	**Oscar Mayer**	7.5	724	–18.3	9.4	850	25.0
Gerber Products	9.3	660	14.0	10.8	765	23.3	**Hobart**	7.5	725	14.8	11.5	721	19.3
Anheuser-Busch Cos	9.3	661	42.4	13.7	558	39.2	New England G & E	7.4	726	18.2	12.5	655	29.6
[illegible]	9.3	662	15.1	10.7	774	16.9	Clorox	7.4	727	–2.6	12.2	679	–23.5
[illegible]	9.3	663	44.0	9.7	824	18.0	Squibb	7.4	728	2.2	9.2	863	13.2
Western Air Lines	9.3	663	P–D	13.8	550	18.7	Minnesota Gas	7.4	729	1.7	22.4	136	28.4
DETROITBANK	9.3	665	–11.5	14.4	502	46.0	Chemical New York	7.3	730	37.5	17.1	324	63.3
Foremost-McKesson	9.2	666	–0.5	8.5	888	16.9	**St Regis Paper**	7.3	731	29.2	13.4	588	17.7
American Tel & Tel	9.2	667	6.4	11.6	717	19.0	**National-Standard**	7.2	732	–56.4	9.9	816	5.5
VF	9.2	667	38.5	8.4	896	20.4	**Cal-Maine Foods**	7.2	733	P–D	16.3	373	–9.4
Washington National	9.2	669	16.7	20.5	175	2.2	**Crown Zellerbach**	7.2	734	–24.4	12.7	645	19.2
Wetterau	9.2	670	19.8	12.7	644	22.8	**American Petrofina**	7.2	735	98.1	18.4	255	52.1
Outlet	9.2	671	–95.6	23.1	121	11.8	General Motors	7.1	736	P–D	12.3	667	–6.3
Harcourt Brace Jovan	9.2	672	53.5	16.8	350	21.5	Northwest Airlines	7.1	737	–95.7	13.9	548	48.3
Wm Wrigley Jr	9.1	673	–14.1	12.8	638	21.7	Eastern Gas & Fuel	7.1	738	73.9	13.2	608	27.5
United Telecom	9.1	674	–3.3	13.8	554	31.7	Electronic Data Syst	7.0	739	43.9	17.8	279	85.4
Mellon National	9.0	675	29.8	11.4	732	71.4	Turner Construction	7.0	740	66.6	10.8	771	76.9
Moore Corp	9.0	676	19.3	14.2	524	29.4	**ENSERCH**	7.0	741	64.1	33.5	42	44.9
Natl Detroit	9.0	677	5.3	10.8	768	49.8	**W R Grace**	7.0	741	40.5	10.2	805	30.0
Tenneco	9.0	677	24.1	17.7	284	40.7	**Federal Paper Board**	7.0	743	82.7	8.6	886	15.8
NCNB	9.0	679	31.8	12.9	635	66.7	**Texasgulf**	7.0	743	293.3	12.6	652	64.3
Thrifty Corp	9.0	679	30.4	12.2	676	22.8	**First Natl Boston**	6.9	745	54.1	17.8	279	80.4
Intl Multifoods	9.0	681	–19.2	6.6	962	11.9	Girard	6.9	746	26.9	9.6	837	39.8
Strawbridge & Clothier	8.9	682	–0.3	9.5	845	15.9	First Wisconsin	6.9	747	44.5	10.4	795	45.2
Manufacturers National	8.8	683	0.3	14.3	515	49.1	Cyclops	6.9	748	P–D	9.8	822	19.7
King Kullen Grocery	8.8	684	–58.6	14.1	537	17.2	Bankers Trust N Y	6.9	749	121.6	13.9	542	74.7
Johns-Manville	8.8	685	–46.9	14.4	511	27.8	Kellwood	6.8	750	–43.9	8.3	906	13.9
Norton Simon	8.8	685	6.1	10.8	770	31.9	**Central Soya**	6.8	751	43.7	7.9	921	13.3
Hercules	8.7	687	–1.8	11.4	725	22.6	**Wisconsin Elec Power**	6.8	752	3.5	13.8	555	28.0
Hart Schaffner & Marx	8.7	688	23.0	6.0	978	9.7	**Walter E Heller Intl**	6.7	753	18.7	15.5	421	51.6
Eastman Kodak	8.7	689	34.4	12.2	676	31.6	**Brockway Glass**	6.7	754	2.1	15.0	467	28.8
Peoples Energy	8.6	690	0.6	22.7	129	52.0	**Knudsen**	6.7	754	66.4	15.8	402	23.4
Purex Industries	8.6	691	14.2	7.4	936	19.5	B F Goodrich	6.5	756	–29.4	9.2	863	18.2
Duke Power	8.6	692	16.6	15.8	401	18.6	Mercantile Bancorp	6.5	757	33.4	17.0	339	53.2
Standard Brands	8.6	693	26.1	11.0	752	23.1	Southern Pacific	6.4	758	7.4	8.7	880	19.8
Zale	8.6	694	36.6	9.9	817	[illegible]	NL Industries	6.4	759	51.1	6.9	953	14.0
Allegheny Ludlum Inds	8.5	695	87.1	11.8	700	19.5	J C Penney	6.3	760	–26.9	10.4	791	8.7
Houston Industries	8.5	696	8.1	27.3	75	59.0	**Brooklyn Union Gas**	6.3	761	18.6	17.7	282	49.4
A H Robins	8.5	697	48.1	12.9	626	21.2	**Northern Trust**	6.2	762	18.0	10.8	763	13.4
NICOR	8.4	698	13.2	21.2	159	29.7	**Pacific Lighting**	6.2	763	0.1	17.1	328	72.5
Garfinckel Brooks Bros	8.3	699	5.8	10.2	802	14.6	**Laclede Gas**	6.2	764	7.5	16.5	363	24.5
Lockheed	8.3	699	–80.1	5.2	993	34.6	**Consumers Power**	6.2	765	–16.8	14.5	500	15.5
Southwestern Pub Svc	8.2	701	–9.0	22.8	128	33.3	Genl Tire & Rubber	6.1	766	–75.5	9.3	862	–0.5
Public Service Indiana	8.2	702	3.0	16.9	344	16.6	CSX	6.1	767	48.9	9.2	866	20.8
ASARCO	8.1	703	199.0	7.6	928	52.1	Gray Drug Stores	6.0	768	–68.3	10.3	799	29.5
Franklin Mint	8.1	703	73.0	17.8	277	19.6	Monsanto	5.9	769	–24.2	13.5	578	22.5
Southern Union	8.1	705	52.5	28.0	70	44.7	Atlanta Gas Light	5.9	770	–1.5	17.0	334	57.4
Household Finance	8.0	706	–6.0	13.3	600	29.7	**Florida Power & Lt**	5.9	771	5.5	16.8	348	33.8
Union Carbide	8.0	707	43.5	13.6	569	21.0	**Saga**	5.9	771	21.4	18.9	231	32.9
AmeriTrust	8.0	708	6.8	13.7	565	40.1	**So New England Tel**	5.9	771	–11.1	10.5	788	18.2
Stop & Shop	8.0	709	–32.4	9.3	857	12.5	**Armstrong World Inds**	5.8	774	–9.4	9.5	842	7.9
Tiger International	8.0	709	–12.7	21.5	155	93.0	**Peavey**	5.7	775	76.1	9.1	871	36.8
Adolph Coors	7.9	711	11.6	11.5	722	32.4	WICOR	5.7	775	–20.6	17.1	322	30.0
Tampa Electric	7.9	712	24.4	19.2	217	23.1	Southern Calif Edison	5.7	777	–0.7	15.3	434	46.6
Gulf United	7.8	713	26.2	14.5	501	53.2	Fleetwood Enterprises	5.6	778	P–D	16.0	392	–39.2
Ford Motor	7.8	714	P–D	12.1	683	–10.8	Castle & Cooke	5.6	779	–53.9	14.1	534	29.3
Jewel Companies	7.8	714	42.4	8.8	874	12.2	Newmont Mining	5.6	780	213.5	13.4	592	31.8

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Who's where in growth

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Sears Roebuck	5.6%	780	–33.0%	9.3%	**854**	3.7%
Ingersoll-Rand	5.5	782	9.9	14.9	**474**	19.5
Burlington Inds	5.5	783	3.4	5.0	**997**	16.2
Sterling Drug	5.5	784	21.9	10.9	**762**	23.4
Colgate-Palmolive	5.5	785	–25.1	14.4	**509**	17.9
Kaiser Steel	5.4	**786**	472.8	8.1	**918**	14.2
New England Electric	5.4	**787**	5.3	11.4	**730**	24.6
Phillips-Van Heusen	5.4	**788**	35.7	3.5	**1014**	14.6
Continental Tel	5.3	**789**	4.5	11.8	**701**	33.1
Hoover	5.3	**790**	26.5	6.6	**966**	20.2
Wisconsin Pwr & Lt	5.3	790	12.2	17.0	**337**	25.2
Collins & Aikman	5.2	792	–34.1	10.4	**796**	5.0
Easco	5.2	793	–67.8	13.7	**564**	12.0
Columbia Gas System	5.1	794	14.5	17.2	**317**	41.7
Carter Hawley Hale	5.0	795	2.0	14.3	**514**	26.8
Indianapolis Pwr & Lt	5.0	796	22.6	15.4	**433**	11.1
Morton-Norwich	5.0	797	15.1	9.9	**815**	32.0
Sybron	5.0	798	–0.9	8.7	**881**	21.9
Texas Utilities	5:0	799	19.4	19.2	**219**	32.2
Chase Manhattan	4.9	**800**	70.2	15.0	**466**	64.2
Philadelphia Natl	4.9	**800**	23.1	12.0	**691**	42.5
Allied Chemical	4.9	**802**	158.4	15.4	**423**	53.1
Central & South West	4.9	803	5.8	19.6	**201**	24.7
Fischbach	4.8	**804**	5.0	8.4	**896**	17.0
Saxon Industries	4.8	805	28.4	8.6	**884**	20.5
Florida Power	4.7	**806**	–14.6	19.3	**216**	25.0
Alexander & Baldwin	4.7	807	161.1	9.7	**824**	30.6
Bank of New York	4.6	808	22.1	17.5	**293**	86.5
N Y State Elec & Gas	4.5	**809**	12.4	14.2	**526**	18.9
Safeway Stores	4.5	**810**	–12.7	11.6	**718**	15.6
Greyhound	4.5	811	38.8	5.8	**983**	9.6
Alexander's	4.4	812	–73.7	6.1	**976**	17.7
Arizona Public Service	4.4	812	–5.4	18.9	**228**	31.1
Harris Bankcorp	4.4	814	13.8	14.7	**482**	56.9
Kansas Power & Light	4.3	815	13.3	18.4	**253**	20.0
Washington Gas Light	4.3	**815**	–12.6	14.4	**508**	21.6
Potomac Elec Power	4.3	**817**	20.0	14.5	**498**	16.4
Republic Airlines	4.3	**817**	P–D	25.5	**87**	94.1
Southeast Banking	4.3	**817**	56.0	17.1	**328**	58.7
Union Electric	4.3	**820**	24.8	14.9	**475**	23.2
Dillard Dept Stores	4.2	**821**	–5.7	18.6	**248**	27.8
American Cyanamid	4.2	**822**	0.8	12.1	**685**	22.0
Gillette	4.1	**823**	29.4	11.1	**744**	26.4
St Joe Minerals	4.1	**823**	50.4	18.5	**252**	45.4
Lane Bryant	4.1	**825**	10.9	3.9	**1011**	9.3
Copperweld	4.0	**826**	–3.8	11.7	**705**	9.8
Texaco	4.0	**827**	93.6	17.8	**276**	57.1
Libbey-Owens-Ford	4.0	**828**	–60.1	11.0	**749**	4.9
Rochester Gas & Elec	4.0	**829**	–0.3	11.8	**702**	26.0
Intl Tel & Tel	4.0	**830**	40.5	9.3	**861**	20.7
Lukens Steel	3.9	831	–63.1	7.5	**933**	21.6
National Fuel Gas	3.9	832	8.0	16.7	**355**	30.7
First Boston	3.8	833	352.4	28.5	**64**	116.1
Amer Natl Resources	3.8	834	–10.7	20.6	**173**	40.7
Esmark	3.8	835	6.7	6.7	**960**	–33.5
Dynalectron	3.7	**836**	183.3	20.3	**182**	36.1
Fedl Natl Mortgage	3.6	**837**	–73.6	14.4	**506**	41.9
Pac Gamble Robinson	3.5	**838**	–7.3	9.6	**832**	16.6
Amerace	3.5	**839**	–5.4	8.4	**893**	7.3
Pub Svc Elec & Gas	3.5	**839**	6.0	13.5	**580**	25.4
Warner-Lambert	3.4	**841**	–12.6	10.9	**758**	18.8
First Chicago	3.4	**842**	–42.0	15.1	**455**	66.1
Gas Service	3.4	**843**	–27.5	16.4	**367**	32.3
Royal Crown Cos	3.4	**843**	3.6	13.6	**572**	11.7
No States Power	3.3	**845**	–9.9	13.8	**551**	15.2

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Univar	3.3%	**846**	35.2%	13.0%	**622**	22.9%
Brunswick	3.3	847	–43.3	9.9	**819**	6.9
UMC Industries	3.2	**848**	–24.9	10.1	**808**	23.6
Allied Van Lines	3.1	**849**	111.7	12.1	**687**	20.4
Stokely-Van Camp	3.1	**850**	–16.1	7.4	**939**	10.5
Quaker State Oil	3.1	**851**	–11.1	21.8	**148**	43.3
Equifax	3.1	**852**	1.2	8.3	**909**	17.5
Long Island Lighting	3.0	**853**	–1.6	14.2	**529**	31.0
Rohm & Haas	3.0	**854**	46.4	11.0	**748**	28.1
Cincinnati G & E	3.0	**855**	–13.0	15.1	**455**	22.1
Amstar	2.8	856	109.1	3.3	**1016**	53.1
Diamond Intl	2.8	857	–25.5	10.0	**812**	11.3
Carolina Pwr & Lt	2.8	**858**	–19.6	17.2	**313**	15.2
So Carolina E & G	2.8	859	–1.3	16.4	**370**	29.2
Baltimore Gas & Elec	2.7	**860**	6.1	12.7	**647**	25.8
Champion Spark Plug	2.6	**861**	–20.1	11.0	**752**	15.1
Pa Power & Light	2.6	**862**	–14.9	13.8	**551**	7.1
Sheller-Globe	2.5	**863**	P–D	14.4	**504**	–8.8
Beneficial Corp	2.5	**864**	–27.4	8.2	**915**	25.2
Bird & Son	2.3	**865**	–96.5	15.2	**447**	5.4
BancOhio	2.2	866	–77.1	15.3	**441**	44.2
Gulf States Utils	2.2	867	32.6	19.6	**204**	36.2
Cleveland Elec Illum	2.1	868	–12.3	13.9	**543**	17.8
Amer Maize-Products	2.0	869	41.4	12.5	**656**	30.2
Pacific Pwr & Lt	2.0	869	–8.2	22.2	**139**	55.8
Middle South Utils	1.9	871	–10.1	18.7	**240**	36.6
Illinois Power	1.8	872	9.0	16.4	**366**	29.9
Pacific Gas & Elec	1.8	873	6.7	18.7	**242**	33.1
San Diego Gas & Elec	1.8	873	–47.2	20.6	**174**	45.2
Utah Power & Light	1.8	873	14.9	23.9	**106**	40.8
McLean Trucking	1.6	876	P–D	15.8	**404**	40.5
Inland Steel	1.4	877	–83.1	10.8	**773**	1.3
Niagara Mohawk Power	1.4	878	–5.2	13.1	**611**	27.8
Graniteville	1.4	879	95.3	10.2	**807**	11.1
Sperry & Hutchinson	1.0	880	–28.9	5.1	**995**	1.6
CFS Continental	0.9	**881**	72.7	17.5	**296**	17.8
Detroit Edison	0.8	**882**	–13.1	14.2	**529**	10.0
Western Union	0.7	**883**	20.8	7.0	**948**	11.0
Edward Hines Lumber	0.7	**884**	P–D	12.3	**671**	–13.6
Kansas City Pwr & Lt	0.7	**885**	41.3	15.1	**462**	34.6
Central Ill Pub Svc	0.6	886	0.2	17.7	**285**	21.9
Delmarva Power & Lt	0.6	887	–0.2	13.6	**571**	30.0
Amfac	0.6	888	59.7	10.8	**764**	23.0
AMF	0.5	889	11.3	7.2	**943**	13.2
National Steel	0.4	890	–9.0	11.6	**714**	2.6
Allegheny Power	0.4	**891**	3.2	15.7	**413**	25.4
Purolator	0.4	**892**	–9.9	10.9	**755**	31.4
Frederick & Herrud	0.2	**893**	75.0	18.5	**251**	11.3
Goodyear	0.2	**894**	–10.6	9.6	**832**	11.6
Associated Dry Goods	0.1	**895**	21.1	7.0	**950**	16.1
Commercial Metals	0.1	896	155.5	17.6	**289**	58.0
Zapata	0.0	897	207.8	13.1	**614**	20.6
Ramada Inns	–0.2	898	13.1	13.7	**562**	30.5
Louisville Gas & Elec	–0.3	899	11.6	14.7	**484**	31.8
Boston Edison	–0.3	**900**	24.0	12.8	**643**	33.4
Northwestern Steel	–0.6	**901**	–31.4	8.4	**894**	9.6
GATX	–0.7	**902**	53.8	9.3	**860**	24.9
American Elec Power	–0.7	**903**	4.2	18.1	**265**	50.5
Pittston	–0.8	**904**	41.5	11.0	**750**	30.3
Republic Steel	–0.8	**904**	–76.7	10.3	**797**	5.2
Phila Electric	–0.8	**906**	5.0	12.8	**639**	36.7
Commonwealth Edison	–0.8	**907**	–12.5	13.4	**593**	29.8
Interlake	–0.9	**908**	–64.8	13.3	**600**	17.0
Southern Company	–1.2	**909**	33.6	17.4	**300**	21.4
Oklahoma Gas & Elec	–1.2	**910**	–12.0	20.5	**178**	32.2

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.1%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product,* which measures inflation in all sectors of the economy. †Latest 12-months. P-D: profit to deficit.

Who's where in growth

	Earnings per share			Sales				Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79	Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Harnischfeger	–1.5%	911	–63.7%	17.3%	308	25.1%	United States Steel	–55.9%	977	P–D	9.4%	850	8.1%
Toledo Edison	–1.5	912	–9.4	18.2	262	18.7	Fed-Mart	P–Z	978	D–D	20.7	170	43.6
Va Electric & Power	–1.6	913	–8.3	19.0	225	38.6	American Motors	P–D	979	P–D	8.4	902	1.4
U S Industries	–1.6	914	–38.4	–3.0	1029	–12.4	Braniff Intl	P–D	979	P–D	18.1	268	42.1
G C Murphy	–1.7	915	55.2	8.3	908	7.9	Chrysler	P–D	979	D–D	5.3	991	–32.5
Dayton Power & Light	–1.7	916	4.2	14.5	496	20.6	Commonwealth Oil Rfg	P–D	979	D–D	13.2	607	23.9
Central Illinois Lt	–1.7	917	7.1	19.2	220	18.2	Culbro	P–D	979	D–D	7.2	947	1.1
Montana Power	–1.8	918	9.7	21.4	157	37.2	First Pennsylvania	P–D	979	P–D	10.3	800	10.6
Ohio Edison	–1.8	918	–5.7	15.4	426	19.8	Food Fair	P–D	979	D–P	–1.0	1026	–49.8
Northeast Utilities	–1.9	920	–7.3	10.5	786	36.9	General Refractories	P–D	979	D–P	10.9	761	19.8
Avondale Mills	–1.9	921	50.4	9.1	870	22.0	Goldblatt Brothers	P–D	979	D–D	2.8	1019	–8.1
First Natl Supermkts	–2.2	922	58.2	41.5	15	39.5	Jonathan Logan	P–D	979	D–D	4.7	1001	8.6
G D Searle	–2.2	923	111.2	13.3	598	25.4	Keystone Consolidated	P–D	979	D–D	6.6	964	2.9
No Indiana Pub Svc	–2.4	924	–20.3	18.9	232	34.2	Macmilian	P–D	979	D–D	4.3	1006	4.2
Playboy Enterprises	–2.6	925	117.5	8.7	879	47.0	Manhattan Industries	P–D	979	D–D	8.3	907	–2.0
Williams Companies	–2.8	926	171.2	16.1	382	33.0	Massey-Ferguson	P–D	979	D–D	12.8	639	9.0
AM International	–2.8	927	–59.2	7.4	939	38.5	McLouth Steel	P–D	979	P–D	11.4	733	–6.3
Ceco	–2.9	928	149.7	6.8	958	29.0	Monfort of Colorado	P–D	979	P–D	12.8	639	57.8
Reichhold Chemicals	–3.1	929	–14.0	18.7	239	15.4	National Kinney	P–D	979	D–D	–2.5	1028	17.4
Kentucky Utilities	–3.1	930	–24.9	16.0	390	21.4	Penn-Dixie Inds	P–D	979	D–D	4.1	1009	7.1
Public Service Colo	–3.2	931	15.3	18.8	234	44.6	Pueblo International	P–D	979	15.6%	–7.5	1038	9.7
Questor	–3.2	932	P–D	4.9	1000	0.0	Rohr Industries	P–D	979	–92.9	0.4	1024	50.6
General Public Utils	–3.3	933	–74.1	14.2	529	29.0	Sambo's Restaurants	P–D	979	D–D	25.7	85	–4.4
Marshall Field	–3.4	934	–24.4	8.2	912	18.1	Scot Lad Foods	P–D	979	D–P	3.2	1017	5.4
Skyline	–4.0	935	–64.0	3.5	1013	–22.1	Uniroyal	P–D	979	D–D	4.4	1004	–13.5
Armstrong Rubber	–4.2	936	P–D	9.9	817	5.8	United Merch & Mfrs	P–D	979	D–D	–3.7	1030	–5.9
Pabst Brewing	–4.3	937	–17.0	8.4	892	12.6	Vornado	P–D	979	D–D	–1.7	1027	–15.0
Tesoro Petroleum	–4.4	938	NM	36.2	35	105.8	Allied Supermarkets	D–D	1004	D–P	–5.9	1035	–29.1
Gulf Resources & Chem	–4.5	939	54.6	18.2	260	56.5	City Stores	D–D	1004	D–D	–3.8	1031	–25.2
El Paso	–4.6	940	–22.8	15.7	410	64.7	Genesco	D–D	1004	D–P	–4.9	1033	–24.1
Outboard Marine	–4.7	941	–89.7	8.8	877	–0.6	Great Atl & Pac Tea	D–D	1004	D–D	2.0	1020	–6.3
Mohasco	–4.8	942	–66.8	7.6	931	5.2	National Tea	D–D	1004	15.9	–6.9	1036	26.9
Chic Pneumatic Tool	–5.1	943	–32.6	11.0	754	25.9	Rath Packing	D–D	1004	D–P	1.3	1021	25.8
Marine Midland Banks	–5.1	944	63.6	8.3	905	68.4	Seatrain Lines	D–D	1004	D–D	18.2	259	117.4
Duquesne Light	–5.4	945	13.2	14.8	477	20.0	Ward Foods	D–D	1004	P–D	–5.5	1034	–14.1
Inco	–5.7	946	150.7	13.1	615	37.2	White Motor	D–D	1004	P–D	1.1	1023	–6.4
Citizens & Southern NB	–7.5	947	293.1	8.1	917	33.6	American Airlines	D–P		P–D	13.3	596	31.2
Phelps Dodge	–8.1	948	101.2	5.8	982	31.5	American Bakeries	D–P		–63.8	6.5	967	5.4
Portland Genl Elec	–8.2	949	4.8	18.7	246	47.9	Ampex	D–P		84.7	5.0	999	52.1
M Lowenstein	–9.4	950	31.3	3.5	1014	5.2	Arden Group	D–P		494.1	–7.0	1037	11.5
Zenith Radio	–9.6	951	120.5	4.1	1008	16.6	Bangor Punta	D–P		31.9	17.1	322	13.3
Westmoreland Coal	–9.6	952	P–D	7.8	924	25.3	Borman's	D–P		P–D	11.6	718	19.4
Coca-Cola Bottling NY	–10.1	953	P–D	11.5	722	6.9	CNA Financial	D–P		6.6	7.6	929	20.5
Kuhn's-Big K Stores	–10.2	954	P–D	17.8	277	–1.2	Columbia Pictures	D–P		7.4	15.7	409	41.7
Kane-Miller	–10.3	955	97.4	7.2	946	–27.0	Computer Sciences	D–P		49.6	18.3	257	47.1
Akzona	–11.1	956	–45.3	6.8	956	17.1	Eastern Air Lines	D–P		P–D	13.4	585	36.7
Warnaco	–11.4	957	70.5	6.9	951	12.5	Foodarama Supermkts	D–P		P–D	5.3	991	11.7
Pamida	–12.1	958	12.5	13.0	620	5.0	GEICO	D–P		2.2	4.3	1005	14.6
Sherwin-Williams	–12.2	959	600.0	9.2	865	11.3	Grumman	D–P		–21.6	8.9	873	11.9
Wheeling-Pitts Steel	–12.7	960	50.9	7.4	941	–4.6	Hartfield-Zodys	D–P		–18.9	6.8	959	14.6
Kennecott	–13.5	961	76.5	13.3	595	29.4	Mattel	D–P		9.0	14.3	517	57.9
Gino's	–13.7	962	P–D	11.7	708	6.8	Memorex	D–P		P–D	26.1	82	24.2
Fisher Foods	–14.8	963	28.2	9.5	845	–5.9	Pan Am World Airways	D–P		P–D	10.5	789	51.3
Bell & Howell	–16.0	964	D–P	6.3	970	13.5	Rapid-American	D–P		–30.9	0.1	1025	5.1
Talley Industries	–16.7	965	P–D	5.5	989	–0.8	Reliance Group	D–P		85.4	10.5	787	10.1
Amdahl	–19.2	966	–72.5	33.4	43	36.8	Revere Copper	D–P		20.5	9.5	843	12.1
GAF	–20.2	967	1,140.0	5.6	987	15.9	Singer	D–P		218.5	1.3	1022	12.7
Savannah Foods	–20.4	968	D–D	3.1	1018	52.2	Thriftimart	D–P		30.6	5.8	984	20.7
General Host	–21.1	969	207.1	4.1	1007	12.1	Todd Shipyards	D–P		72.4	14.9	476	39.7
Bethlehem Steel	–21.1	970	497.6	8.4	900	9.4	Trans World	D–P		P–D	14.8	477	27.2
Fidelcor	–22.6	971	574.2	6.3	972	26.2	United Brands	D–P		164.1	9.7	829	35.6
Envirotech	–26.4	972	P–D	14.2	523	–2.4	Valero Energy	D–P		234.4	19.7	196	38.1
Munford	–27.9	973	D–P	9.1	868	4.7	DPF	**		–30.1	**		24.3
Allied Products	–30.9	974	P–D	5.1	994	–3.3	Penn Central	**		26.2	**		132.0
Firestone	–44.1	975	P–D	8.4	894	3.5	Toys "R" Us	**		40.3	**		38.9
Jos Schlitz Brewing	–44.4	976	D–D	5.4	990	–1.4							

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.1%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product*, which measures inflation in all sectors of the economy. †Latest 12-months. P-Z: profit to zero. P-D: profit to deficit. D-D: deficit to deficit. D-P: deficit to profit; not ranked. **Not available, not ranked. NM: not meaningful.

Why the stock market keeps proving—against all those dire predictions—that it may be the place for an investor to be over the long term.

Who's where in the stock market

LAST YEAR THE FORBES stock market report showed that if you'd bought the 1,031 stocks in the FORBES list back in the depths of the bear market of late 1974 and held them for five years you'd have made money on nine out of ten of them. This year—starting from the higher base of late 1975—you wouldn't have done so well. But still, you'd have made money on three out of four of the 1,029 stocks ranked below; and on well over half, you'd have kept ahead of the double-digit cost-of-living increases—an average 10½% a year—that prevailed during that five-year period. In fact, about 40% of the 1,029 doubled in price, one out of four tripled, and 171 stocks quadrupled or did even better.

What's it mean? Clearly, amid dire predictions and short-term frenzies, the market keeps proving that it may very well be the place to be over the long term. That's sometimes obscured by well-known but incomplete measures of what the "market" is.

For example, if you'd bought *all* 1,029 of these stocks on the last trading day of 1975 and held them all, winners and losers, until Nov. 19, 1980—FORBES' measuring period—the *average* increase would have been 161%. Compare that to the Dow Jones industrial averages, up only 16% over the same period. Other broad measures of the market make the same point we do. For example, the Wilshire 5000—the total market value of 5,000 stocks—increased during that same five-year period from $754.1 billion to nearly $1.4 trillion—or 80%, 5 times as much as the Dow.

Among the big gainers in the table below, both unranked last year, are number one Resorts International and number four Caesars World. Both proved not only that somebody made a lot of money during the gambling-stock craze of 1978-79, but also what risks it carried. Resorts International soared to 69½ at the height of the frenzy but was at 26¼ at the end of the FORBES measuring period Nov. 19; Caesars, up to 36⅛, fell to 13⅜. Among the top five, though, were three glamour stocks which showed more stability—Wang Laboratories, Mitchell Energy and National Medical Enterprises, all selling late in 1980 near their 1976-80 highs.

Who's where in the stock market

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
80	79										
1	*	Resorts Intl	4,100.0%	69½– ⅝	26¼	11.0	$ 290	$ 4.27	6	none	0.0%
2	3	Wang Laboratories	2,780.2‡	45¼– 1¼	44⅞	56.0	2,469	1.08	41	$0.12	0.3
3	*	Mitchell Enrgy & Dev	2,488.9	59¾– 2⅜	58¼	35.9	2,090	2.41	24	0.20	0.3
4	*	Caesars World	1,827.2	36⅛– ⅝	13⅜	26.2	351	1.29	10	none	0.0
5	*	Natl Medical Entrprs	1,784.5	37⅝– 1⅞	37⅛	19.1	711	1.98	19	0.60	1.6
6	4	Humana	1,526.7	67 – 3⅞	65¾	18.1	1,189	3.07	21	1.20	1.8
7	40	Shearson Loeb Rhoades	1,487.0	35⅞– 2¼	35¼	13.8	485	5.38	7	0.48	1.4
8	43	Tosco	1,485.7	42 – 2⅝	41⅝	20.5	855	3.80	11	none	0.0
9	13	Subaru of America	1,400.0	21¾– ½	20⅝	6.0	124	2.55	8	0.32	1.6
10	174	Texas Oil & Gas	1,379.5	83½– 5⅜	81	47.6	3,852	2.96	27	0.36	0.4
11	6	Teledyne	1,366.5	212 –14	205	13.8	2,835	20.95	10	none	0.0
12	242	Chic & North Western	1,362.9	70¼– 4¼	64	4.4	284	8.00	8	none	0.0
13	145	Kay	1,359.0	32½– 2⅛	31½	3.1	97	3.15	10	0.75	2.4
14	34	Nucor	1,344.7	74¼– 4⅞	71¼	6.8	485	7.43	10	0.44	0.6
15	17	Amer Medical Intl	1,245.0	39⅞– 2⅞	39⅛	14.6	572	2.11	19	0.64	1.6
16	62	Waste Management	1,234.6	92¼– 6¾	91¾	13.0	1,191	3.93	23	0.90	1.0
17	24	Fairchild Industries	1,181.3	32½– 2½	30¾	12.8	392	3.85	8	0.72	2.3
18	11	Litton Industries	1,177.5	79½– 6⅛	78⅜	37.6	2,948	7.27	11	1.20	1.5
19	45	General Instrument	1,095.0	97 – 7⅞	94¾	8.7	829	6.81	14	1.00	1.1
20	99	Cincinnati Milacron	1,089.2	57 – 4¾	55	15.0	825	5.16	11	1.08	2.0
21	*	Empire	1,066.7	39 – 2⅞	35	3.4	120	1.66	21	0.36	1.0
22	122	Parker Drilling	1,064.4	67½– 5¾	65½	14.3	936	3.07	21	0.32	0.5
23	60	Foster Wheeler	1,031.8	30½– 2⅝	29⅜	34.2	1,001	1.55	19	0.40	1.4
24	37	Parsons	1,014.9	54½– 4⅜	49	12.2	596	2.13	23	1.00	2.0
25	23	Reliance Group	1,012.0	80¼– 6	69½	6.2	431	22.82	3	3.00	4.3
26	19	Whittaker	996.0	34¼– 3	34¼	14.6	500	3.88	9	1.40	4.1
27	106	Murphy Oil	986.2	64 – 5⅝	62	37.3	2,312	3.82	16	0.50	0.8
28	18	Storage Technology	953.7	26 – 2	24⅝	25.1	618	1.69	15	none	0.0
29	*	Berkshire Hathaway	924.4	425 –39	420	1.0	431	36.70	11	none	0.0
30	96	Cabot	898.7	36¾– 3⅛	31	31.4	972	4.88	6	0.80	2.6
31	28	Gates Learjet	853.0	47⅜– 4⅞	45⅛	5.7	259	2.62	17	0.40	0.9
32	*	Mission Insurance	852.9	39⅞– 3½	36	7.8	281	4.85	7	0.80	2.2
33	53	Bunker Ramo	832.4	41½– 4⅜	39⅝	5.8	228	3.70	11	1.20	3.0
34	*	Trinity Industries	766.8	30¾– 3¼	29⅛	15.5	450	2.43	12	0.40	1.4
35	287	Natomas	745.7	45¾– 5¼	43¼	51.7	2,237	3.91	11	1.00	2.3
36	48	G Heileman Brewing	737.5	38 – 4	33½	8.7	291	3.87	9	0.88	2.6
37	155	NN	735.7	59 – 6⅞	58½	6.[illegible]	364	4.82	12	2.00	3.4
38	259	Handy & Harman	729.3	33¼– 3⅝	30⅛	13.6	410	2.01	15	0.50	1.7
39	105	Hanover Insurance	726.7	51½– 5⅛	46½	3.4	158	10.87	4	0.72	1.5
40	14	Bruno's	690.4	10⅞– 1⅜	10¾	8.5	91	1.06	10	0.30	2.8
41	101	Cullum Companies	679.7	29¼– 3¾	28¼	3.3	95	3.52	8	1.00	3.5
42	*	Holly Corp	676.5	17¾– 2	16½	8.4	138	1.10	15	none	0.0
43	77	Crown Central Petroleum	646.6	58½– 4⅞	36⅜	5.5	200	6.00	6	1.60	4.4
44	51	Transco Companies	644.8	64¼– 8½	62⅜	23.3	1,454	4.38	14	1.44	2.3
45	444	Tandy	643.3	101⅞–10½	96⅝	25.5	2,464	4.72	20	none	0.0
46	35	United Energy Resources	638.4	55⅞– 7	54	25.8	1,393	5.64	10	1.52	2.8
47	8	Bally Manufacturing	638.4	48⅝– 2⅞	21	25.5	536	1.99	11	0.10	0.5
48	39	Boeing	636.1	45⅞– 5½	39⅞	9[illegible].4	3,842	6.01	7	1.40	3.5
49	66	Republic Natl Life	630.8	24¾– 3⅛	23¾	9.4	223	1.80	13	0.70	2.9
50	83	Belco Petroleum	623.3	67 – 9⅛	64½	11.5	739	6.89	9	1.00	1.6
51	12	Metromedia	616.2	107 –15	104¾	4.2	445	11.41	9	4.00	3.8
52	221	Morrison-Knudsen	613.7	45⅜– 5¾	44¾	8.4	376	3.38	13	0.92	2.1
53	15	Columbia Pictures	611.6	38¾– 4½	38¼	10.1	385	5.05	8	0.60	1.6
54	419	Zapata	600.9	71¼– 8¼	69¾	10.4	728	3.55	20	0.48	0.7
55	195	Superior Oil	589.6	237 –29⅝	225½	25.4	5,723	11.30	20	0.72	0.3
56	339	Cameron Iron Works	589.5	65¾– 8⅛	65½	29.9	1,960	2.79	23	0.32	0.5
57	54	RLC	586.3	17⅛– 2¼	15¼	11.7	179	1.86	8	0.64	4.2
58	250	EG&G	581.4	48½– 6⅞	48⅛	13.4	645	2.40	20	0.50	1.0
59	65	Warner Communications	574.8	68 – 9⅞	67⅜	27.3	1,838	7.74	9	1.36	2.0
60	228	Todd Shipyards	573.3	50½– 7½	50½	2.1	106	5.89	9	1.00	2.0
61	270	Amerada Hess	572.2	54¾– 7½	51	77.9	3,972	6.59	8	1.10	2.2
62	26	Bangor Punta	571.4	31⅜– 4½	29⅜	4.8	141	6.41	5	1.00	3.4
63	219	Dorchester Gas	562.5	54 – 8½	53	9.0	475	3.83	14	0.20	0.4
64	327	Santa Fe Intl	561.5	71¾–10⅜	69⅞	21.4	1,495	2.98	23	0.72	1.0
65	57	Hospital Corp of Am	560.1	55½– 8⅛	54⅛	30.2	1,633	2.48	22	0.40	0.7

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.

*Not ranked last year. ‡Four-year price change based on Class B stock.

Who's where in the stock market

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
80	79										
66	*	Kelly Services	560.0%	36 – 5	33	4.4	$ 146	$3.18	10	$1.00	3.0%
67	94	Sundstrand	559.8	59½– 8½	56½	17.4	981	4.45	13	1.60	2.8
68	42	Harris Corp	544.3	55¾– 8⅜	55⅜	30.4	1,685	2.74	20	0.80	1.4
69	58	Ampex	540.0	34⅛– 4¾	32	11.1	356	2.21	14	0.24	0.8
70	92	U S Home	533.2	32¾– 4⅜	28⅛	14.3	403	3.40	8	0.64	2.3
71	44	NVF	533.1	10 – ¾	4⅞	76.3	372	0.24	20	none	0.0
72	308	Houston Oil & Minerals	527.3	49¼– 7⅜	46	29.3	1,346	2.21	21	0.80	1.7
73	20	Avco	524.3	35 – 4½	28⅞	16.0	462	6.49	4	1.20	4.2
74	351	Freeport Minerals	524.3	70¼– 7⅞	60	31.6	1,893	4.28	14	1.00	1.7
75	46	ConAgra	517.5	18¼– 2¾	17½	11.8	206	1.74	10	0.75	4.3
76	87	Lear Siegler	512.5	39½– 6⅛	36¾	15.5	569	4.30	9	1.24	3.4
77	227	E F Hutton Group	508.6	38⅞– 5½	37¾	12.9	486	5.34	7	0.80	2.1
78	635	SEDCO	503.4	89 –14¾	88	15.8	1,390	2.63	33	0.48	0.5
79	337	NL Industries	499.0	78¾–12⅞	77⅞	33.1	2,574	3.54	22	1.40	1.8
80	33	E-Systems	496.4	53⅜– 9	53⅜	6.8	363	2.15	25	1.00	1.9
81	29	Charter	493.8	50 – 2⅝	23¾	21.5	511	6.47	4	1.00	4.2
82	52	Natl Convenience Strs	491.4	13⅝– 1⅞	11	6.2	69	1.54	7	0.60	5.5
83	147	Thiokol	489.9	37⅞– 6¼	36½	11.4	417	2.94	12	1.00	2.7
84	*	Shaklee	483.9	31⅛– 4⅝	27¼	6.2	169	1.92	14	0.80	2.9
85	319	Central Louisiana Engy	483.4	58¼– 9	57¼	21.4	1,225	3.60	16	1.00	1.7
86	126	Dean Foods	482.6	36¼– 6⅛	36¼	3.0	109	3.82	9	0.96	2.6
87	121	Sun Chemical	480.3	33⅞– 5⅝	33	4.5	150	6.19	5	0.60	1.8
88	145	Fluor	471.2	71 – 9⅞	69½	47.7	3,313	2.62	27	0.80	1.2
89	36	SCOA Industries	467.2	27 – 4⅜	26⅝	7.9	210	3.71	7	1.05	3.9
90	177	Clark Oil & Refining	463.9	26½– 4½	25⅜	14.4	365	6.06	4	1.00	3.9
91	71	General Dynamics	461.5	44¼– 7½	42¼	53.7	2,268	3.69	11	0.72	1.7
92	103	Dynalectron	454.6	17⅛– 2½	15¼	8.4	128	0.68	22	0.08	0.5
93	49	Twentieth Century-Fox	449.2	46½– 6¼	43¼	10.5	455	5.10	8	1.80	4.2
94	290	Schlumberger	449.0	125⅝–20¾	123⅝	190.7	23,578	4.56	27	1.00	0.8
95	107	Signal Companies	446.3	32¼– 5⅛	28	57.6	1,613	2.85	10	0.76	2.7
96	25	Hilton Hotels	445.4	48⅝– 7½	43⅛	26.3	1,134	3.91	11	1.60	3.7
97	82	Gelco	442.3	37 – 6¾	35¼	10.1	356	3.64	10	0.96	2.7
98	348	Engelhard Minerals	441.9	64 –10⅛	60½	68.1	4,119	8.09	7	1.16	1.9
99	100	Iowa Beef Processors	440.0	45⅝– 7⅞	42¾	9.8	421	4.87	9	0.60	1.4
100	75	Centex	434.4	48 – 7⅞	42¾	11.6	497	5.22	8	0.25	0.6
101	*	Geosource	431.2‡‡	62¼– 9¾	61¾	11.6	716	2.77	22	1.00	1.6
102	*	Piedmont Aviation	429.2	20 – 3⅛	15⅞	3.9	61	2.85	6	0.24	1.5
103	102	Cooper Industries	429.0	62 –11½	61½	30.1	1,851	4.09	15	1.08	1.8
103	103	Wyman-Gordon	429.0	42 – 7¾	41	9.1	371	3.19	13	1.20	2.9
105	111	SmithKline	427.1	80 –14⅝	77¾	66.3	5,155	4.43	18	1.92	2.5
106	68	Parker Pen	425.0	26 – 4½	23½	16.9	398	2.33	10	0.44	1.9
107	137	Dover	424.4	59¾–11	59	17.9	1,054	3.91	15	1.04	1.8
108	*	Playboy Enterprises	421.7	32¾– 2⅞	15	9.4	141	1.45	10	0.12	0.8
109	397	Union Oil California	420.3	56½–10¼	53½	173.4	9,279	3.59	15	0.80	1.5
110	*	Republic New York	417.5	35½– 6⅝	32⅛	10.9	349	5.23	6	1.04	3.2
111	187	Meredith	417.1	54 –10¼	53	3.1	167	7.40	7	1.32	2.5
112	78	Petrolane	415.0	52¼– 9⅞	51½	25.8	1,327	2.93	18	0.76	1.5
113	130	Northrop	413.5	61¼–11⅜	59⅜	14.3	[illegible]46	6.38	9	1.80	3.0
114	316	Standard Oil Ohio	410.0	91½–14½	87½	239.4	20,[illegible]46	7.31	12	1.80	2.1
115	110	Avnet	406.2	51½–10⅛	51¼	15.4	789	4.70	11	1.00	2.0
116	313	Pacific Resources	404.2	18⅜– 2⅞	14⅞	10.2	152	1.85	8	0.50	3.4
117	429	Shell Oil	404.1	65½–11⅞	61¾	308.8	19,067	4.74	13	1.60	2.6
118	340	Earth Resources	402.4	57 – 9⅜	56	6.5	361	5.07	11	1.50	2.7
119	117	Baldwin-United	394.1	50 – 8½	42	9.0	377	5.19	8	1.40	3.3
120	128	Sigmor	391.3	28½– 4⅝	23½	13.4	315	2.57	9	0.50	2.1
121	164	Pioneer	390.1	62⅛–12	60¾	18.6	1,129	4.51	13	1.76	2.9
122	*	Food Town Stores	389.9	25½– 4½	21½	8.6	185	1.65	13	0.16	0.7
123	*	Milton Bradley	389.6	47½– 9⅝	47⅛	7.3	345	4.87	10	1.20	2.5
124	150	Circle K	386.4	16½– 2⅝	13⅜	9.9	132	1.74	8	0.68	5.1
125	226	Crouse-Hinds	386.0	43¼– 8½	42¼	12.3	518	2.55	17	1.00	2.4
126	86	Super Valu Stores	381.5	35⅞– 6⅛	31	18.2	563	2.78	11	0.80	2.6
127	381	St Louis-San Fran Ry	377.9	117 –23¾	113½	2.7	302	10.10	11	2.50	2.2
128	260	Combustion Engnrng	377.7	53½–10⅞	51¾	32.7	1,691	5.58	9	0.75	1.4
129	180	Alleghany	376.7	35¾– 7½	35¾	9.3	333	4.81	7	1.08	3.0
130	156	Blount	376.1	41 – 7	37½	2.8	105	4.26	9	0.72	1.9

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.
*Not ranked last year. ‡‡Three-year price change.

Who's where in the stock market

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
80	79										
131	27	Computer Sciences	371.9%	29¾– 4	18⅞	13.2	$ 249	$1.88	10	none	0.0%
132	251	Perini	371.8	24½– 4⅞	23	3.4	77	1.82	13	$0.40	1.7
133	124	Raytheon	369.0	108¾–22⅜	107⅞	41.5	4,478	6.69	16	2.00	1.9
134	267	GK Technologies	364.6	46⅛– 9½	45⅞	11.7	538	4.52	10	1.50	3.3
135	312	Pennzoil	362.6	61 –12¾	59¾	51.2	3,058	5.86	10	2.00	3.3
136	522	U S Air	357.6	19¼– 3⅝	18⅞	11.9	225	3.98	5	0.12	0.6
137	276	Thriftimart	354.8	37⅝– 5¾	35¼	0.9	31	7.30	5	1.40	4.0
138	220	Rapid-American	351.2	25 – 3	23⅛	5.2	121	2.55	9	0.60	2.6
139	129	Brown-Forman Dist	350.2	55 –10½	53	12.6	667	4.76	11	1.36	2.6
140	67	Johnson Controls	350.0	34½– 6¼	29¼	13.0	380	2.41	12	1.30	4.4
141	374	Browning-Ferris Inds	348.9	27¼– 5¾	26⅜	17.0	448	1.80	15	0.84	3.2
142	115	Washington Post	346.5	26¾– 5½	24	14.0	335	2.31	10	0.44	1.8
143	47	Evans Products	341.9	25⅞– 5	23¾	12.3	292	3.38	7	1.60	6.7
144	320	Martin Marietta	341.5	72⅞–18⅜	71¾	24.9	1,783	7.31	10	2.52	3.5
145	118	PennCorp Financial	338.5	12¼– 1½	7⅛	18.7	133	1.36	5	0.16	2.2
146	188	Carpenter Technology	336.1	53 –10¾	46⅞	8.6	402	4.76	10	2.00	4.3
147	31	Levi Strauss	336.0	44 – 9½	43⅞	40.8	1,792	5.18	8	1.50	3.4
148	455	Union Pacific	335.4	88 –19	84½	95.8	8,097	4.18	20	1.60	1.9
149	521	Cities Service	334.5	57⅞–12⅞	56⅛	83.3	4,674	5.72	10	1.60	2.9
150	*	Tyson Foods	331.9	17 – 3	15¼	3.9	59	0.30	51	0.16	1.0
151	5	Farm House Foods	331.0	6¾– 1½	6¾	4.5	31	0.67	10	none	0.0
152	70	Wal-Mart Stores	330.4	28½– 5¾	28¼	32.3	912	1.58	18	0.20	0.7
153	134	Mattel	330.0	16¾– 4¾	16⅛	15.9	257	1.38	12	0.30	1.9
154	264	Bache Group	328.4	19 – 4⅜	18½	9.5	176	3.59	5	0.73	3.9
155	55	Lockheed	327.9	48¼– 6⅝	32⅝	11.8	386	0.67	49	none	0.0
156	293	Shopwell	327.3	7 – 1⅜	5⅞	1.4	8	0.83	7	none	0.0
157	212	Paine Webber	326.8	22¾– 5⅛	21⅞	7.5	164	0.87	25	0.44	2.0
158	305	Missouri Pacific	326.1	99 –22⅝	98	15.5	1,520	11.18	9	3.60	3.7
159	249	Bausch & Lomb	319.8	70 –12½	66⅛	11.8	781	4.35	15	1.28	1.9
160	21	Morse Shoe	319.2	29 – 5¾	23⅞	5.2	124	2.88	8	0.80	3.4
161	*	Big V Supermarkets	313.9	10¼– 2	8⅛	2.5	21	1.83	4	0.30	3.7
162	281	Norton	313.7	53¾–12⅝	52¾	16.5	868	5.04	10	1.80	3.4
163	74	American Standard	311.9	37⅜– 8⅜	34½	27.5	950	5.44	6	2.20	6.4
164	127	Control Data	311.4	77⅝–17⅝	72½	18.5	1,338	7.82	9	0.60	0.8
165	751	Burlington Northern	310.2	68 –15⅞	65⅝	32.0	2,102	7.53	9	1.25	1.9
166	194	Smith International	308.6	60¼–13¾	59	20.4	1,202	3.35	18	0.64	1.1
167	64	Pneumo	306.4	36¾– 7⅞	31⅞	4.5	144	2.57	12	0.80	2.5
168	73	Caldor	305.1	30⅞– 5⅞	24¾	8.4	208	2.76	9	0.60	2.4
169	178	Dexter	303.1	35 – 8⅛	32¼	9.2	296	2.79	12	1.00	3.1
170	530	Standard Oil Indiana	302.3	88¼–20½	85¾	292.2	25,053	6.39	13	2.20	2.6
171	163	Bergen Brunswig	302.1	21⅛– 3½	19⅜	3.7	72	1.61	12	0.32	1.7
172	288	Baker International	295.9	48⅞–10	48⅜	66.0	3,194	2.11	23	0.40	0.8
173	*	Frontier Airlines	295.3	18¾– 4⅝	18	7.7	139	2.24	8	0.20	1.1
174	97	Republic Finl Svcs	295.0	25⅝– 5	19¾	7.0	139	3.02	7	1.00	5.1
175	*	Hardee's Food Systems	294.4	26¾– 6⅜	26⅝	5.4	143	3.09	9	0.32	1.2
176	7	Savin	292.4	25 – 3⅜	13	6.2	80	3.28	4	0.70	5.4
177	484	Sun Company	291.7	57½–13½	53⅜	120.7	6,442	7.57	7	1.80	3.4
178	284	Marathon Oil	290.3	82½–19⅞	80¾	60.6	4,896	6.25	13	2.00	2.5
179	182	Loews	286.0	92½–21	82⅛	12.0	994	18.81	4	1.20	1.5
180	175	Fisher Scientific	284.0	34¾– 7⅞	30	5.1	154	3.11	10	0.52	1.7
181	210	Outlet	283.6	33¾– 8⅝	33¼	2.5	84	0.13	–	0.60	1.8
182	90	Ryder System	280.3	31½– 8⅛	31¼	16.6	520	3.23	10	1.08	3.5
183	144	Hyster	278.5	48⅜–11½	44	6.0	265	7.62	6	3.25	7.4
184	41	Intel	278.2	50½–10	48¾	42.1	2,053	2.21	22	none	0.0
185	*	Acme-Cleveland	277.8	35⅝– 8⅛	29¾	4.3	127	4.02	7	1.40	4.7
186	562	ASARCO	277.1	58½–13	49½	29.6	1,465	9.12	5	1.85	3.7
187	554	Alcan Aluminium	276.8	38⅞– 9¾	36½	80.9	2,953	6.62	6	1.40	3.8
188	283	United States Filter	275.4	32⅝– 8⅜	32⅜	8.0	258	2.57	13	0.44	1.4
189	408	Kaneb Services	275.1	38¼– 9⅝	37¾	21.8	822	3.13	12	0.90	2.4
190	170	Northwest Energy	273.9	32⅝– 8¼	31	15.9	492	3.17	10	1.00	3.2
191	*	James River Corp Va	272.5	26¼– 5	18⅝	5.2	98	2.80	7	0.48	2.6
192	69	Interpublic Group	270.9	37½– 9	34	4.5	153	4.40	8	1.60	4.7
193	291	Washington National	270.2	41¼–10⅝	38⅞	6.7	260	4.86	8	1.50	3.9
194	59	United Refining	266.9	37⅞– 6⅞	25⅜	2.4	61	4.21	6	1.00	3.9
195	*	Golden West Finl	265.3	14 – 3⅞	14	21.1	296	1.78	8	0.38	2.7

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.

*Not ranked last year.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
196	670	**ENSERCH**	**264.0%**	58⅞–14⅜	57⅝	33.2	**$1,914**	$3.90	15	$1.72	3.0%
197	184	**City Investing**	**260.0**	30¼– 7	24¾	24.5	**607**	4.23	6	1.50	6.1
197	152	**Kemper**	**260.0**	36½– 8⅞	31½	12.6	**398**	6.85	5	1.40	4.4
199	476	**Rockwell Intl**	**257.2**	44 –11¾	41¾	74.7	**3,118**	3.77	11	1.40	3.4
200	247	**Universal Leaf**	**255.7**	34¼– 9¼	33⅛	8.8	**292**	3.25	10	1.32	4.0
201	280	**Ark Louisiana Gas**	**253.1**	39¾–10⅞	39½	25.1	**993**	3.02	13	1.40	3.5
202	120	**Wallace-Murray**	**253.0**	32⅜– 8¾	30¾	6.7	**205**	4.63	7	1.60	5.2
203	518	**Panhandle Eastern**	**252.6**	52¼–14¾	51⅛	37.5	**1,917**	4.42	12	1.74	3.4
204	153	**Business Men's Assur**	**251.5**	36⅜– 8¾	29⅞	6.0	**178**	4.75	6	1.44	4.8
205	109	**Ruddick**	**250.0**	11⅛– 3	10½	2.3	**24**	2.00	5	0.58	5.5
206	350	**Standard Oil Calif**	**248.9**	106 –29⅛	102½	171.0	**17,532**	13.50	8	4.00	3.9
207	1	**Best Products**	**248.1**	34¼– 5¼	19	9.7	**184**	2.93	6	0.24	1.3
208	2	**Service Merchandise**	**245.9**	23½– 3½	12¼	12.7	**155**	1.38	9	0.14	1.1
209	513	**Peabody Intl**	**245.3**	45 –12⅝	44	10.4	**458**	2.35	19	0.32	0.7
210	336	**Gifford-Hill**	**245.2**	23 – 6	21	7.3	**154**	2.04	10	0.92	4.4
211	88	**Vornado**	**243.6**	29¾– 4⅜	16¾	5.3	**89**	–0.16	def	none	0.0
212	304	**Mobil**	**240.7**	89½–23⅞	80½	212.5	**17,102**	13.14	6	4.00	5.0
213	278	**Sysco**	**239.1**	27⅜– 5¾	26¾	9.4	**251**	2.31	12	0.40	1.5
214	235	**Peoples Drug Stores**	**237.5**	17⅜– 5⅛	16⅞	3.8	**64**	2.17	8	0.28	1.7
214	198	**Zayre**	**237.5**	20⅝– 5¼	20¼	5.1	**104**	3.35	6	0.32	1.6
216	258	**Flowers Industries**	**232.1**	16⅞– 4⅜	15⅛	6.0	**91**	1.72	9	0.58	3.8
217	622	**Halliburton**	**231.3**	81¾–22¼	80¾	117.7	**9,501**	3.90	21	1.20	1.5
218	169	**Amsted Industries**	**227.2**	48½–14¼	46⅝	10.8	**504**	6.60	7	2.48	5.3
219	467	**Perkin-Elmer**	**227.0**	71¾–16½	66⅝	21.0	**1,396**	3.37	20	0.88	1.3
220	213	**Ashland Oil**	**226.9**	45½–12⅞	42½	26.4	**1,124**	6.80	6	2.40	5.6
221	217	**Southwest Forest Inds**	**226.5**	24 – 6⅛	20	8.0	**161**	3.21	6	0.50	2.5
221	298	**Walgreen**	**226.5**	41⅛–12⅛	40	7.0	**278**	5.12	8	1.76	4.4
223	134	**Fuqua Industries**	**225.0**	22[illegible]– 4½	14⅝	12.8	**188**	4.79	3	0.50	3.4
224	392	**Ogden**	**224.8**	32[illegible]–10⅛	32¾	12.5	**409**	4.52	7	1.60	4.9
225	321	**Raymond Intl**	**224.2**	34⅜–10⅛	33½	5.8	**196**	0.92	36	1.00	3.0
226	477	**Federal-Mogul**	**224.0**	21⅞– 6¼	20¼	12.5	**252**	2.86	7	1.20	5.9
227	199	**Dorsey**	**223.5**	22½– 6⅜	20⅝	3.0	**61**	2.95	7	0.80	3.9
228	76	**Entex**	**223.4**	19⅛– 4¼	14⅞	21.1	**313**	1.64	9	0.88	5.9
229	154	**McGraw-Hill**	**222.1**	42¼–12¾	41⅞	24.7	**1,035**	3.36	12	1.52	3.6
230	380	**Dresser Industries**	**221.6**	52⅞–15⅝	50¾	78.0	**3,959**	3.18	16	0.60	1.2
231	114	**Macmillan**	**220.0**	21⅜– 4¼	14	12.6	**176**	–3.49	def	0.82	5.9
232	584	**Atlantic Richfield**	**217.6**	73⅝–20⅜	71¾	234.2	**16,801**	6.43	11	1.90	2.6
233	275	**Wheelabrator-Frye**	**216.0**	61 –18	59¼	10.5	**620**	4.23	14	1.40	2.4
234	269	**General Signal**	**215.3**	54¼–17⅛	54	26.3	**1,422**	3.88	14	1.48	2.7
235	490	**Hughes Tool**	**213.6**	93¼–19⅛	89⅝	25.7	**2,304**	4.87	18	1.12	1.2
236	394	**Insilco**	**213.4**	21¼– 6⅝	20⅞	12.9	**269**	2.32	9	0.94	4.5
237	168	**McDonough**	**211.1**	44¼–13¾	42	4.0	**168**	4.15	10	1.40	3.3
238	72	**Beckman Instruments**	**209.9**	37 –10¾	36⅛	20.2	**731**	1.79	20	0.36	1.0
239	565	**Santa Fe Industries**	**209.1**	95 –29⅛	93⅞	29.0	**2,726**	9.50	10	3.00	3.2
240	119	**CNA Financial**	**208.3**	19⅝– 5⅜	18½	48.5	**897**	3.60	5	none	0.0
241	376	**Foxboro**	**208.2**	59¼–18⅜	56¼	8.3	**466**	3.32	17	1.30	2.3
242	*	**Keystone Foods**	**207.4**	20 – 3⅞	13⅛	2.8	**37**	1.46	9	0.20	1.5
243	159	**NCR**	**207.4**	81½–23⅝	73	26.4	**1,925**	8.80	8	2.00	2.7
244	113	**Supermarkets General**	**206.8**	19¾– 5⅛	16⅞	8.2	**138**	2.77	6	0.54	3.2
245	414	**Earle M Jorgensen**	**206.7**	44¼–13⅞	42¾	3.3	**139**	6.24	7	1.60	3.7
246	256	**Idle Wild Foods**	**205.0**	27¾– 3	15¼	1.8	**27**	3.58	4	0.80	5.2
247	396	**So Natural Resources**	**202.6**	74¼–23¼	73	20.4	**1,487**	6.42	11	1.85	2.5
248	85	**Toro**	**202.4**	29⅝– 5¼	15⅞	5.5	**88**	–0.96	def	0.88	5.5
249	81	**Tektronix**	**201.9**	70¼–22⅛	67¾	18.4	**1,249**	4.56	15	0.92	1.4
250	246	**Barnes Group**	**201.7**	25⅞– 7⅜	22⅜	6.9	**155**	3.48	6	1.00	4.5
251	208	**Seaboard Allied Milling**	**200.0**	22½– 6½	19½	1.5	**29**	3.60	5	0.50	2.6
251	243	**United Brands**	**200.0**	16¾– 5⅛	15¾	11.0	**174**	2.79	6	0.50	3.2
253	201	**Honeywell**	**198.5**	102⅜–32¾	99⅝	22.3	**2,220**	9.77	10	3.00	3.0
254	165	**Ametek**	**198.1**	31½– 9⅝	28⅞	10.8	**311**	2.00	14	1.00	3.5
255	224	**Ex-Cell-O**	**197.4**	46⅜–14⅛	42	10.3	**431**	4.73	9	2.00	4.8
256	466	**Texas Eastern**	**197.0**	86½–28⅜	85¾	25.2	**2,162**	8.22	10	3.20	3.7
257	349	**Turner Construction**	**195.3**	24⅞– 8¼	23⅝	2.0	**48**	3.16	7	1.28	5.4
258	160	**Capital Cities Commun**	**194.4**	72 –21⅛	62¾	12.7	**800**	5.[illegible]	12	0.20	0.3
259	*	**Gibraltar Financial**	**191.1**	16⅝– 3⅛	9⅛	14.0	**127**	–0.[illegible]2	def	0.60	6.6
260	300	**Vulcan Materials**	**191.0**	47½–15⅜	44⅜	11.4	**507**	5.86	8	2.00	4.5

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.

*Not ranked last year. def: deficit.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
261	207	**McDonnell Douglas**	190.9%	52⅞–14¾	44	38.2	$1,681	$3.81	12	$0.90	2.0%
262	215	**PACCAR**	190.7	74½–24¼	70½	8.2	581	11.81	6	4.00	5.7
263	403	**Texas Gas Transmn**	190.4	44 –14½	41¾	20.5	858	4.32	10	1.64	3.9
264	98	**Allis-Chalmers**	189.6	38⅝–11⅞	34¾	12.4	432	4.22	8	2.00	5.8
265	333	**Nationwide**	187.3	20¾– 7	19¾	10.3	203	3.78	5	0.66	3.3
266	330	**New York Times**	187.2	38 –11½	33¾	12.0	404	3.45	10	1.00	3.0
267	116	**Tyler**	187.1	19¼– 5⅛	14⅝	9.6	140	1.96	7	0.50	3.4
268	*	**Republic Airlines**	184.2	11⅞– 2⅜	6¾	19.6	132	–1.36	def	0.20	3.0
269	293	**Imperial Corp of Am**	184.2	35 –10¼	29⅛	14.2	413	3.58	8	1.20	4.1
270	541	**Dean Witter Reynolds**	183.5	23 – 8	22½	10.0	224	3.56	6	0.80	3.6
271	297	**Trans World**	183.3	30⅝– 7½	21¼	16.1	342	–1.94	def	none	0.0
272	470	**Commercial Metals**	181.9	39 – 6⅝	28¼	2.9	81	6.20	5	0.60	2.1
273	581	**Raychem**	180.8	88 –14⅜	87½	8.7	765	4.04	22	0.44	0.5
274	292	**Maryland Cup**	180.6	32⅜–11	30⅞	6.7	207	3.89	8	0.64	2.1
275	517	**Oklahoma Natural Gas**	176.3	44⅞–15½	43¾	10.5	458	3.82	11	2.00	4.6
276	705	**Rohr Industries**	175.6	20 – 4	14⅛	5.2	73	0.14	–	none	0.0
277	*	**Electronic Data Syst**	171.7	37½–11⅞	33⅝	14.1	473	2.24	15	1.12	3.3
278	314	**Fred Meyer**	171.5	39 –13⅜	36	6.9	248	2.78	13	0.66	1.8
279	141	**Midland-Ross**	170.8	30½– 9	24⅜	11.8	288	3.73	7	1.40	5.7
280	176	**Consolidated Papers**	169.5	36½–11⅝	32	10.7	343	4.89	7	2.00	6.3
281	310	**Central Steel & Wire**	169.2	250 –91	245	0.3	82	27.63	9	13.25	5.4
282	183	**Moore McCormack Res**	168.5	58 –19½	55½	5.7	317	8.20	7	1.28	2.3
283	143	**Cook United**	168.0	10⅛– 2⅛	5⅝	5.9	33	0.71	8	0.15	2.7
284	346	**Godfrey**	167.6	17 – 5¾	15	1.6	24	2.11	7	0.72	4.8
285	245	**Athlone Industries**	167.6	25¾– 8¾	23¾	2.8	67	1.01	24	1.50	6.3
286	166	**American General**	166.7	41 –12⅛	36	25.0	900	6.34	6	1.00	2.8
287	229	**Gulf United**	165.6	27¼– 7½	20¼	24.2	491	2.84	7	1.24	6.1
288	234	**Di Giorgio**	162.5	15⅛– 4⅛	10½	6.1	64	1.28	8	0.56	5.3
289	214	**Longview Fibre**	162.1	38 –12⅝	32½	11.5	374	1.56	21	1.20	3.7
290	315	**Colt Industries**	162.0	54 –19	50	12.8	641	7.84	6	2.90	5.8
291	649	**Merrill Lynch**	161.2	39¼–13¼	37⅞	37.1	1,404	4.96	8	1.12	3.0
292	192	**Cessna Aircraft**	160.8	29⅜– 9½	25⅞	18.7	483	1.51	17	0.40	1.5
293	95	**Pay Less Drug NW**	160.4	28 –10½	27½	4.4	121	2.97	9	0.68	2.5
294	241	**Waldbaum**	158.9	20¾– 6¼	16¾	2.5	42	3.37	5	none	0.0
295	431	**United Technologies**	158.2	63⅛–23⅛	59⅞	42.8	2,560	7.03	9	2.20	3.7
296	535	**InterNorth**	157.6	45¼–16⅛	43⅝	44.6	1,944	4.99	9	1.80	4.1
297	575	**Getty Oil**	157.1	108¼–33	104¾	82.2	8,606	10.25	10	2.00	1.9
298	334	**Curtiss-Wright**	156.1	31⅛–10	26¼	8.3	217	4.41	6	1.00	3.8
299	80	**Del E Webb**	155.6	38 – 3⅜	8⅝	9.5	82	1.04	8	0.20	2.3
300	*	**Heck's**	155.4	19 – 6⅛	16⅛	6.5	105	2.45	7	0.30	1.9
301	690	**Nashua**	155.1	38 –10¾	28⅜	4.7	132	4.50	6	1.50	5.3
302	808	**Pioneer Hi-Bred Intl**	155.0	40½–15½	40⅜	15.9	644	3.59	11	0.96	2.4
303	395	**Lone Star Industries**	154.5	38⅜–14	35⅝	10.7	381	5.44	7	1.65	4.6
304	277	**Arcata**	152.5	30½– 9¾	25¼	6.6	167	3.69	7	1.28	5.1
305	480	**Dravo**	152.0	49⅝–19	48½	8.0	389	2.88	17	1.36	2.8
306	440	**Occidental Petroleum**	151.8	36¾–13½	35¼	77.1	2,716	9.64	4	2.20	6.2
307	572	**Allegheny Ludlum Inds**	151.4	44⅝–13¾	44	7.2	315	7.44	6	1.40	3.2
308	328	**A-T-O**	150.9	18⅞– 7¼	17¼	5.9	101	3.12	6	0.60	3.5
309	385	**Big Three Industries**	150.9	72½–26	67½	21.1	1,426	3.78	18	1.00	1.5
310	528	**Louisiana Land**	150.3	63¾–19½	56	38.0	2,127	4.64	12	1.80	3.2
311	189	**Norris Industries**	148.9	33½–11⅛	27⅜	9.8	267	2.45	11	1.60	5.8
312	254	**Abbott Laboratories**	148.5	55 –18⅞	51¼	60.3	3,090	3.34	15	1.20	2.3
313	332	**Trane**	147.7	27½– 9⅞	24	10.2	244	3.64	7	1.04	4.3
314	125	**Allen Group**	146.8	20½– 7¾	19¼	4.2	81	2.18	9	1.00	5.2
315	191	**R H Macy**	146.8	50½–17¾	44⅝	16.0	712	6.48	7	1.50	3.4
316	142	**Alco Standard**	146.6	37¼–14⅛	35¾	9.3	332	5.25	7	1.76	4.9
317	527	**Marsh Supermarkets**	146.5	7¼– 2⅜	6⅝	3.2	21	1.31	5	0.36	5.4
318	84	**General Cinema**	146.3	25⅛– 8½	23¼	11.0	255	2.31	10	0.80	3.4
319	172	**Dennison Mfg**	145.9	21¾– 7¼	17¾	9.1	161	2.40	7	1.16	6.5
320	417	**Pitney Bowes**	145.7	40⅜–13½	35⅝	14.8	526	4.24	8	1.60	4.5
321	306	**Western Bancorp**	145.2	35 –11⅞	29⅝	37.5	1,111	5.31	6	1.84	6.2
322	343	**Louisiana-Pacific**	142.4	29½–10½	26⅜	29.7	784	2.36	11	0.72	2.7
323	363	**Chromalloy American**	142.1	26⅛– 9¼	23	13.8	317	2.87	8	1.10	4.8
324	360	**Houston Natural Gas**	142.1	59½–19¾	59	39.9	2,354	5.06	12	1.30	2.2
325	205	**Kidde**	141.7	45 –18⅛	43½	9.5	411	8.50	5	2.00	4.6

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Who's where in the stock market

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
80	79										
326	600	Westinghouse Electric	140.2%	32⅜–13	32⅛	84.8	$2,724	$4.70	7	$1.40	4.4%
327	197	Stanley Works	139.7	23 – 7	17⅜	25.5	444	1.83	9	0.68	3.9
328	330	Copeland	139.5	25⅞–10¾	25¾	5.6	145	3.41	8	1.00	3.9
329	626	Cyclops	138.8	29⅞–10½	24⅞	3.2	79	–0.04	def	1.35	5.4
330	638	W R Grace	138.3	58¾–23⅝	58⅜	44.5	2,600	6.07	10	2.30	3.9
331	668	Newmont Mining	137.0	60⅞–15½	54½	25.6	1,393	8.83	6	2.05	3.8
332	539	H K Porter	135.8	76 –30	70¾	1.2	82	14.74	5	3.20	4.5
333	450	Witco Chemical	135.7	33¾–13⅝	33	8.9	295	4.42	7	1.60	4.8
334	384	Kroger	135.6	27 – 8⅞	21½	27.7	595	3.35	6	1.52	7.1
335	151	Amer Broadcasting	135.0	47⅝–13¼	30¾	28.0	861	5.41	6	1.60	5.2
336	378	North American Coal	134.0	49¼–14⅞	38¾	3.3	129	3.81	10	0.72	1.9
337	257	Parker-Hannifin	133.5	34¾–14½	34¼	14.9	509	3.77	9	1.32	3.9
338	171	Varian Associates	133.3	35¼–11¾	28	7.8	217	2.77	10	0.52	1.9
339	453	Conoco	133.3	73 –24½	71	107.8	7,652	9.06	8	2.20	3.1
340	216	Federal Paper Board	132.8	35 –12	28⅜	7.2	206	3.88	7	1.00	3.5
341	185	Zurn Industries	132.4	25⅜– 9⅛	21½	5.5	118	2.92	7	1.04	4.8
342	361	Foremost-McKesson	132.1	32¾–13½	32½	15.0	489	3.90	8	2.00	6.2
343	296	Crum & Forster	130.9	35½–11¾	28	27.9	780	5.54	5	1.44	5.1
344	435	Stanadyne	130.8	38¾–13	30	4.8	144	2.97	10	1.52	5.1
345	932	CBI Industries	130.5	69 –21	68	17.8	1,213	3.41	20	1.45	2.1
346	497	Sperry & Hutchinson	130.0	23½–10	23	9.1	209	2.02	11	1.00	4.3
347	231	Times Mirror	128.4	45⅝–18¼	42¼	34.1	1,440	3.93	11	1.72	4.1
348	737	Intl Minerals & Chem	128.0	57 –21⅞	57	27.0	1,539	5.76	10	2.32	4.1
349	494	Gulf Oil	127.4	54½–20⅜	46⅝	195.2	9,100	7.53	6	2.50	5.4
350	167	Federal Co	127.3	25⅛–11⅛	25	8.1	203	1.55	16	1.30	5.2
351	496	Aetna Life & Casualty	127.0	40⅛–15	35¾	80.6	2,880	6.35	6	2.12	5.9
352	367	Dow Jones	126.9	59¼–25	59	15.5	916	3.42	17	1.60	2.7
353	263	Transamerica	126.9	20⅜– 8⅛	19	65.3	1,241	3.64	5	1.28	6.7
354	500	Southern Union	126.1	34¼–12⅜	33¼	10.2	337	3.66	9	1.40	4.2
355	623	Peoples Energy	125.6	62⅞–26⅛	59	28.7	1,694	5.01	12	3.08	5.2
356	543	DeSoto	125.5	20¼– 5¾	13¼	5.5	73	2.36	6	1.00	7.5
357	876	Seagram	124.6	61⅞–19¼	59¼	35.1	2,078	4.12	14	1.40	2.4
358	326	SCM	124.2	32¼–11½	25½	9.6	244	5.86	4	1.80	7.1
359	365	Weis Markets	124.0	28¾–12¾	28¾	9.1	262	3.35	9	0.88	3.1
360	389	Reeves Brothers	124.0	35⅛–15⅜	35	2.3	80	6.74	5	2.20	6.3
361	325	Mead	124.0	33⅞–12	27¼	26.2	713	5.10	5	1.90	7.0
362	398	Dillingham	123.4	19¾– 7	17⅞	12.8	229	2.63	7	0.70	3.9
362	222	Frederick & Herrud	123.4	9¾– 2⅝	6½	3.5	23	0.98	7	0.24	3.7
364	*	Marley	122.8	35¾–14¼	31¾	5.2	164	3.60	9	1.00	3.1
365	158	Dan River	122.4	20 – 7	16⅛	5.7	91	3.64	4	1.12	6.9
366	*	Mercantile Texas	122.4	31¼–13⅜	29½	10.6	312	4.30	7	1.32	4.5
367	338	A E Staley Mfg	121.6	42½–11	38½	21.2	814	3.51	11	0.80	2.1
368	265	Suburban Propane Gas	121.6	42⅝–14⅝	32⅛	4.6	148	5.01	6	1.44	4.5
369	459	National Can	121.4	25⅝–10½	23¼	8.8	204	5.37	4	0.88	3.8
370	272	Tecumseh Products	121.1	72½–29½	63	5.5	345	7.78	8	3.20	5.1
371	538	Grumman	120.9	32½–13¼	29⅞	9.8	293	2.23	13	1.40	4.7
372	577	Ideal Basic Inds	120.8	30½–13¼	29¼	13.3	389	5.01	6	1.70	5.8
373	209	Northwest Industries	120.7	39¼–16⅛	36	29.9	1,077	4.83	7	2.28	6.3
374	746	Armco	117.8	40⅜–14⅞	39⅜	45.3	1,783	5.12	8	1.64	4.2
375	553	Consol Natural Gas	117.4	54[illegible]–24½	53	19.7	1,046	5.57	10	3.24	6.1
376	409	Crane	117.4	4[illegible]⅜–21¼	47⅛	10.1	477	4.34	11	1.60	3.4
377	356	Marriott	117.3	37 – 8⅞	33⅞	24.9	842	2.47	14	0.24	0.7
378	359	Borg-Warner	116.9	45⅜–19⅞	43⅜	20.9	905	6.05	7	2.48	5.7
379	905	Texasgulf	116.5	63¼–15⅛	60⅝	32.9	1,994	8.64	7	1.60	2.6
380	*	Howell	116.4	33 – 4⅜	[illegible]	5.9	129	3.79	6	0.40	1.8
381	323	National Svc Inds	115.8	23¼– 9⅝	20½	12.8	262	3.54	6	1.24	6.0
382	368	TRW	114.8	58⅞–26¾	58	31.5	1,829	6.26	9	2.20	3.8
383	366	Security Pacific	114.6	34¾–13⅞	29½	27.7	817	6.24	5	2.00	6.8
384	422	First City Bancorp	114.4	48½–22	46⅝	14.3	668	6.21	8	1.84	3.9
385	369	Morton-Norwich	113.9	34⅞–13⅜	28⅞	13.5	389	3.36	9	1.52	5.3
386	433	City Stores	113.3	5⅝– 1⅝	4	3.3	13	–14.06	def	none	0.0
386	230	U S Industries	113.3	10½– 3⅜	8	23.8	190	0.97	8	0.76	9.5
388	138	MCA	112.9	57¾–19⅜	52⅜	23.7	1,241	6.08	9	1.50	2.9
389	425	Phillips Petroleum	112.4	61⅛–24¾	57⅝	152.2	8,770	7.10	8	1.80	3.1
390	240	Stone Container	112.3	29⅞–10	23	5.1	117	4.09	6	0.72	3.1

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.
*Not ranked last year. def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
80	79										
391	545	Eastern Air Lines	111.8%	15⅝– 4⅛	9	24.7	$ 223	$–1.01	def	none	0.0%
392	162	Cone Mills	111.7	43½–18⅞	40⅝	5.8	234	9.06	4	$2.00	4.9
393	861	McDermott	111.0	41¾–15⅞	40⅞	36.4	1,490	1.92	21	1.40	3.4
394	*	Old Republic Intl	111.0	24⅜– 3½	15¾	9.4	148	3.77	4	0.92	5.8
395	108	Rite Aid	110.7	33¾–13½	31⅞	10.5	335	3.11	10	0.75	2.4
396	769	Alexander & Baldwin	109.9	41¼–12⅜	34⅝	9.1	315	6.92	5	1.60	4.6
397	196	Ramada Inns	109.7	17 – 3⅛	8⅛	27.0	219	0.49	17	0.12	1.5
398	525	El Paso	109.6	30½–11¾	24⅝	47.3	1,166	1.64	15	1.48	6.0
399	362	Alexander's	109.4	16⅜– 5⅛	13⅞	4.5	63	0.23	60	none	0.0
400	505	Gt Western Financial	109.2	27¾– 9⅛	19	22.4	426	2.26	8	0.88	4.6
401	200	Carson Pirie Scott	109.1	25⅛–10	22⅛	3.5	77	3.04	7	1.20	5.4
402	190	Digital Equipment	108.8	98¾–36⅝	95¼	45.6	4,340	5.60	17	none	0.0
403	235	Harsco	108.2	36⅞–16⅞	35¼	10.1	355	4.88	7	2.10	6.0
404	775	Amfac	108.1	35⅞–13	32	13.6	435	4.63	7	1.32	4.1
405	161	Melville	107.6	41⅞–17⅜	37⅜	25.4	951	4.22	9	1.60	4.3
406	240	Saxon Industries	106.7	9¾– 3¾	7¾	6.9	54	1.04	7	0.10	1.3
407	454	Rose's Stores	106.2	17¾– 7½	16¾	2.1	36	4.09	4	0.80	4.8
408	457	H H Robertson	106.0	44 –21	43	2.1	92	7.79	6	2.20	5.1
409	693	AMP	105.7	54½–24	54½	36.0	1,962	3.62	15	1.00	1.8
410	485	Dun & Bradstreet	105.3	59 –24⅜	58½	27.9	1,633	3.56	16	2.04	3.5
411	261	H F Ahmanson	105.1	28¼– 9⅝	20	23.0	459	2.82	7	1.20	6.0
412	848	Norfolk & Western Ry	104.9	46⅜–20¾	43⅝	31.3	1,365	6.64	7	2.20	5.0
413	388	U S Fidelity & Gty	104.7	46½–19¾	41¼	27.9	1,152	8.90	5	2.80	6.8
414	309	Fort Howard Paper	104.3	59½–27¼	59	13.5	795	4.94	12	1.48	2.5
415	544	Bell & Howell	103.1	34⅜–13⅞	33	5.6	184	3.92	8	0.96	2.9
416	782	Deluxe Check Printers	102.9	52⅜–20¾	52¼	11.4	596	3.72	14	1.56	3.0
417	218	Data General	102.3	87¾–34	75⅝	10.2	772	5.20	15	none	0.0
418	399	U S Bancorp	102.0	27⅞–11⅞	23⅞	14.3	341	3.88	6	1.00	4.2
419	363	Amer Hoist & Derrick	101.9	26⅝–12	26	5.7	149	3.59	7	1.12	4.3
420	573	St Joe Minerals	101.1	37⅝–10⅞	34¾	45.1	1,563	2.11	16	0.90	2.6
421	767	Warnaco	100.9	17¾– 5¼	16½	3.9	65	3.58	5	0.80	4.8
422	510	Hewlett-Packard	100.5	97 –30⅞	94¾	60.0	5,685	4.47	21	0.40	0.4
423	423	Gt Northern Nekoosa	100.0	44¼–21⅛	42¼	16.0	676	6.19	7	1.80	4.3
423	239	Knight-Ridder News	100.0	32⅛–14⅜	29¼	31.9	934	2.72	11	0.80	2.7
423	*	Seaway Food Town	100.0	12¾– 5⅛	12	1.6	20	2.78	4	0.72	6.0
426	478	American Brands	99.4	88⅛–38⅛	77	27.2	2,093	14.31	5	6.20	8.1
427	441	United States Gypsum	98.5	37⅞–16¾	33	16.1	530	5.69	6	2.40	7.3
428	446	Bemis	98.2	30½–13⅜	27¼	3.6	98	3.12	9	1.60	5.9
429	516	Wickes Companies	97.7	19½– 8½	16¾	13.8	231	1.10	15	1.04	6.2
430	472	Ethyl	96.7	36½–14¾	29½	19.2	566	4.35	7	1.50	5.1
431	460	George A Hormel	95.8	20 – 8½	17⅜	9.6	167	3.84	5	0.92	5.3
432	463	National Gypsum	95.7	26 –11⅝	23	16.6	381	3.56	6	1.48	6.4
433	597	Exxon	95.5	88½–42⅝	86¾	434.8	37,719	12.99	7	6.00	6.9
434	753	Texaco	95.2	47⅛–22⅛	45⅝	269.2	12,281	8.42	5	2.60	5.7
435	354	Leaseway Transportation	94.6	34⅜–15½	34	11.9	404	3.67	9	1.40	4.1
436	836	American Petrofina	94.1	71 –22⅝	61⅝	10.8	665	9.54	6	3.20	5.2
437	*	Alexander & Alexander	93.6	36¾–14⅝	30	18.3	548	3.07	10	1.64	5.5
438	442	IC Industries	93.1	33¾–16⅛	31⅝	16.1	509	5.53	6	2.00	6.3
439	406	Dibrell Brothers	92.9	19½– 9⅝	18	1.3	24	2.76	7	1.12	6.2
440	758	Motorola	92.7	80¾–33⅝	79½	31.2	2,482	5.55	14	1.60	2.0
441	289	Revco D S	92.6	35¾–15¼	32½	13.6	441	2.98	11	1.00	3.1
442	936	Trans Union	92.4	58¼–27¾	56¾	12.5	709	5.38	11	2.60	4.6
443	621	Fleming Companies	90.8	25 –13¼	26	6.3	165	3.08	8	1.12	4.3
444	*	First Boston	90.8	34½–10¾	31	4.5	141	7.72	4	1.75	5.6
445	405	Valley Natl Bk Ariz	90.3	36 –15⅛	31⅞	10.1	323	4.95	6	1.40	4.4
446	603	Irving Bank	90.1	42 – 1⅝	40⅞	8.6	353	9.55	4	2.72	6.7
447	645	Tenneco	89.7	52¼–26	50⅜	116.7	5,922	5.88	9	2.60	5.1
448	472	American Natl Ins	89.5	18¼– 9⅝	13½	30.8	416	2.38	6	0.68	5.0
449	600	NICOR	89.4	43⅝–22⅛	42⅜	19.9	843	5.03	8	2.68	6.3
450	555	Eastern Gas & Fuel	89.3	30⅞–13	30⅛	22.6	681	2.55	12	1.00	3.3
451	329	Rexnord	89.0	21¼–10¼	19⅜	19.7	382	2.50	8	1.04	5.4
452	179	AM International	88.9	32⅞– 7¾	14⅞	8.5	126	0.26	57	none	0.0
452	311	Auto Data Processing	88.9	53 –21½	51	15.5	790	2.57	20	0.76	1.5
452	981	LTV	88.9	19½– 5⅜	19⅛	25.3	483	3.65	5	none	0.0
455	*	Harvey Hubbell	88.1	40½–21¼	40⅜	5.5	223	4.80	8	1.92	4.8

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.

*Not ranked last year. def: deficit.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
456	587	Brown Group	87.7%	36¼–18⅜	34¼	7.3	$ 250	$6.00	6	$2.10	6.1%
457	489	BanCal Tri-State	87.3	43 –12⅜	27⅝	4.6	127	4.20	7	1.12	4.1
458	335	Kaufman & Broad	87.3	13⅞– 5⅛	12⅞	11.9	153	2.14	6	0.24	1.9
459	420	Cannon Mills	87.2	29¼–12½	24¼	9.4	227	3.11	8	1.20	4.9
460	342	Archer Daniels Midland	87.0	42⅞–11¼	39⅝	40.8	1,616	3.26	12	0.20	0.5
461	415	Super Food Services	86.9	17¼– 6⅞	13	1.8	24	1.69	8	0.40	3.1
462	507	Revere Copper	86.8	21⅜– 7⅞	15⅞	5.7	90	4.01	4	none	0.0
463	347	Rollins	86.8	38⅞–14¾	38¾	13.6	529	2.71	14	0.88	2.3
464	186	Rainier Bancorp	86.7	30¼–12½	22⅞	9.4	214	4.20	5	1.24	5.4
465	262	Manhattan Industries	85.9	12⅜– 4⅛	7¾	2.8	22	–4.76	def	0.30	3.9
466	822	Bankers Trust N Y	85.8	58⅞–28⅞	54⅛	12.3	664	15.31	4	3.30	6.1
467	832	Tesoro Petroleum	85.5	32⅛– 6¾	25½	13.6	348	8.87	3	0.30	1.2
468	785	Lubrizol	85.4	83⅜–27¾	73	19.9	1,453	5.71	13	1.80	2.5
469	534	Butler Manufacturing	85.3	32¾–14⅛	26¼	5.5	145	3.37	8	1.20	4.6
470	10	Memorex	85.3	60¾– 7⅜	14⅛	7.2	102	–3.69	def	none	0.0
471	279	Giant Food	84.8	19⅜– 9⅛	17¼	4.9	85	3.00	6	1.10	6.4
472	568	Peavey	84.6	27 –13⅛	27	5.5	148	4.02	7	1.14	4.2
473	483	Questor	83.3	12½– 4½	9½	9.7	92	–0.03	def	0.20	2.1
474	372	Koppers	83.2	35¼–17⅜	32¾	26.7	874	2.41	14	1.40	4.3
475	548	Crown Cork & Seal	83.0	35¾–16⅞	30⅞	14.6	451	4.91	6	none	0.0
476	479	Arden Group	82.4	5⅜– 1⅛	3⅞	3.5	14	1.01	4	none	0.0
477	302	Thrifty Corp	82.0	17¼– 6¼	11⅜	9.8	112	1.50	8	0.72	6.3
478	610	American Intl Group	81.9	80¼–30	72¾	37.7	2,744	7.10	10	0.50	0.7
479	232	Time Inc	81.7	62 –28⅝	57	22.9	1,303	5.17	11	1.80	3.2
480	983	Williams Companies	81.5	48⅜–14	46½	27.2	1,264	5.09	9	1.10	2.4
481	604	Deere	81.2	47⅜–22½	47	61.5	2,890	3.65	13	1.90	4.0
482	488	Timken	81.1	68½–36¾	57	11.2	752	8.93	8	3.25	4.9
483	507	North Amer Philips	80.8	37 –19⅞	35¼	13.0	458	5.61	6	1.70	4.8
484	393	Ohio Casualty	80.7	40⅝–17¼	33⅞	11.7	395	6.15	6	1.76	5.2
485	447	Provident Life & Acc	80.4	53 –23	41½	9.8	409	7.71	5	1.88	4.5
486	699	ACF Industries	80.2	50¼–25⅜	46¼	8.9	413	6.51	7	2.50	5.4
486	345	Willamette Inds	80.2	42⅞–20½	39¼	14.8	581	4.47	9	1.40	3.6
488	*	Pettibone	80.2	29½–13⅝	24½	2.7	66	3.54	7	0.60	2.4
489	647	Allied Chemical	80.1	61¾–27⅝	59⅞	33.3	1,995	8.08	7	2.20	3.7
490	837	Esmark	79.8	62 –23⅜	56⅞	10.1	575	4.20	14	1.84	3.2
491	149	Edison Bros Stores	79.0	35 –15⅛	27	11.5	311	3.62	7	1.32	4.9
492	903	Amdahl	78.7‡	71½–11⅛	34⅝	14.9	517	0.51	68	0.40	1.2
493	285	Kaiser Alum & Chem	78.4	30¼–13¾	24¾	41.4	1,024	6.45	4	1.40	5.7
494	402	USLIFE	78.3	28 –11⅜	20½	22.2	455	3.51	6	0.72	3.5
495	410	Flickinger	78.1	18⅝– 9⅜	18⅛	2.9	54	2.57	7	0.78	4.2
496	570	National Distillers	77.7	33⅜–16⅛	28⅞	31.8	917	3.03	10	2.00	6.9
497	307	Hoover Universal	77.1	25½– 9⅜	16⅝	8.9	148	1.99	8	1.24	7.5
498	271	Sonoco Products	77.0	36 –19¼	34	5.6	191	5.46	6	1.50	4.4
499	286	Albertson's	76.7	24⅞– 8⅞	19⅞	14.8	294	2.50	8	0.80	4.0
500	244	Holiday Inns	76.5	32¾–10⅝	25⅜	32.0	812	2.89	9	0.70	2.8
501	322	Combined Internatnl	76.3	21½– 8⅞	17⅝	27.1	478	3.41	5	1.60	9.1
502	223	Fieldcrest Mills	76.0	37¾–15	26⅜	3.7	99	4.73	6	2.60	9.8
503	743	Joy Manufacturing	75.6	61 –27	57½	13.0	750	4.58	13	1.90	3.3
504	625	Malone & Hyde	75.3	39¼–20	37¼	7.6	284	3.37	11	1.28	3.4
505	*	King Kullen Grocery	75.0	17¾– 8	14	0.7	10	1.09	13	0.50	3.6
505	274	Seatrain Lines	75.0	15⅜– 2⅜	4⅜	14.5	63	–2.94	def	none	0.0
507	661	Columbia Gas System	74.9	47 –22¾	40	32.4	1,295	4.61	9	2.56	6.4
508	373	Curtice-Burns	74.2	25½– 8½	16⅞	1.5	26	2.94	6	1.10	6.5
509	726	R R Donnelley & Sons	73.8	38¼–17⅝	35⅝	18.6	664	3.65	10	1.14	3.2
510	735	Gulf Resources & Chem	73.7	37⅞– 8⅛	24¾	8.8	219	2.01	12	0.50	2.0
511	375	Western Union	73.4	31⅛–14¼	27¾	15.7	435	1.78	16	1.40	5.0
512	576	Dayco	73.4	17⅝– 7⅜	13	5.6	73	1.94	7	0.56	4.3
513	233	Knudsen	73.1	16 – 6⅛	13⅝	2.7	37	2.44	6	0.76	5.6
514	370	Emhart	72.7	45 –18⅛	31¼	12.1	378	4.67	7	2.40	7.7
515	411	Host International	72.2	27 – 8¼	23¼	4.8	112	2.89	8	0.60	2.6
516	465	Penn Traffic	72.1	18¼– 8⅛	14½	2.1	31	3.02	5	1.20	8.3
517	355	Tiger International	71.8	34⅜–10⅛	23⅜	16.8	397	2.61	9	0.80	3.4
518	636	Alcoa	71.5	76⅜–38½	66¼	35.6	2,360	14.11	5	3.20	4.8
519	91	Dayton-Hudson	71.4	54¼–26¼	45	23.8	1,071	6.91	7	2.00	4.4
519	203	General Host	71.4	23¼– 8⅛	18	2.8	51	6.45	3	0.80	4.4

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*Not ranked last year. ‡Four-year price change. def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
80	79										
521	486	Wells Fargo	71.0%	33⅜–15⅝	26½	22.9	$ 606	$5.05	5	$1.92	7.2%
522	854	Pfizer	70.1	49⅛–23⅜	47	73.3	3,443	3.40	14	1.44	3.1
523	595	Crocker National	69.8	37⅜–21⅝	36½	13.4	489	6.82	5	2.20	6.0
524	400	Bendix	69.2	62 –32⅜	56	22.9	1,280	7.68	7	3.00	5.4
525	755	Philip Morris	68.9	48½–24⅞	44¾	124.6	5,577	4.90	9	1.60	3.6
526	696	Texas Commerce Bshs	68.8	30⅞–15⅞	29⅛	29.0	845	3.34	9	0.92	3.2
527	492	RCA	67.3	33⅞–18½	32	74.9	2,397	3.45	9	1.80	5.6
528	404	Riegel Textile	66.7	23⅜–13	22½	3.8	86	4.73	5	1.80	8.0
528	418	A O Smith	66.7	24⅞– 8⅞	15	4.9	73	–0.35	def	1.40	9.3
530	566	Corning Glass Works	66.1	80 –43⅝	72¼	18.0	1,297	6.32	11	2.32	3.2
531	739	INA	66.0	43¾–22¾	38⅞	38.3	1,487	6.97	6	2.20	5.7
532	537	Continental Illinois	65.6	32⅞–17¾	29½	39.3	1,159	5.70	5	1.80	6.1
533	436	McGraw-Edison	65.6	37⅜–20¾	37¼	16.3	609	3.30	11	1.80	4.8
534	696	Southeast Banking	65.5	19 – 9¼	17½	12.9	226	3.14	6	0.88	5.0
535	560	Travelers	65.2	44⅞–25	41½	42.1	1,745	8.85	5	2.48	6.0
536	426	Westvaco	64.5	38¾–21⅜	35⅜	16.9	597	5.20	7	1.64	4.6
537	666	Hart Schaffner & Marx	64.3	16 – 8¾	14⅜	8.4	121	2.60	6	1.00	7.0
538	830	Southern Railway	63.1	82¼–44½	81¾	15.4	1,258	10.88	8	3.68	4.5
539	704	Hannaford Bros	62.8	16¼– 9¾	15⅞	1.3	21	3.16	5	1.00	6.3
540	282	Continental Airlines	62.8	17½– 5¼	8¾	15.4	134	–1.07	def	none	0.0
541	491	Reynolds Metals	62.7	44⅞–22⅛	36	19.1	688	9.91	4	2.40	6.7
542	358	Potlatch	62.7	45 –23⅜	39¾	15.2	603	2.89	14	1.40	3.5
543	665	Hammermill Paper	62.6	32 –16	26⅝	7.7	204	5.38	5	1.68	6.3
544	605	Nalco Chemical	62.4	50½–24⅜	49⅛	19.9	977	3.44	14	1.60	3.3
545	791	GATX	61.3	46 –22¼	42¾	12.2	522	5.10	8	2.20	5.1
546	293	Borman's	61.1	9⅞– 2⅜	3⅝	2.9	11	–0.15	def	0.20	5.5
546	746	Pueblo International	61.1	8⅜– 2⅛	3⅝	4.5	16	0.89	4	none	0.0
548	377	United States Shoe	60.5	38½–16¼	30½	7.0	213	5.22	6	1.60	5.2
549	266	Natl Semiconductor	60.5	45¼–10⅛	43⅞	21.9	960	2.87	15	none	0.0
550	583	PPG Industries	60.1	39⅞–23⅛	37¾	33.0	1,246	6.01	6	2.16	5.7
551	606	Allied Van Lines	60.0	5¾– 2	4	1.2	5	1.39	3	none	0.0
551	675	Crown Zellerbach	60.0	62¾–29	57	24.5	1,395	3.52	16	2.30	4.0
553	911	Savannah Foods	59.8	25¾–13¼	23½	1.8	43	–3.10	def	1.56	6.6
554	529	Gannett	59.7	38¾–21½	35¾	52.8	1,883	2.70	13	1.52	4.3
555	493	A C Nielsen	59.3	38¼–16¾	34¼	11.0	377	2.57	13	0.88	2.6
556	252	Boise Cascade	59.3	42½–22¼	37⅜	26.6	1,002	5.04	7	1.75	4.7
557	273	Eagle-Picher Inds	58.8	25⅝–12¾	20¼	9.7	197	2.52	8	0.96	4.7
558	471	Republic of Texas	58.6	32¼–17½	30	18.0	539	4.60	7	1.16	3.9
559	206	Gordon Jewelry	58.4	29 – 9⅝	20	5.5	111	4.12	5	0.72	3.6
560	809	Delta Air Lines	57.6	59¾–30	59½	19.9	1,183	5.38	11	1.20	2.0
561	432	Stewart-Warner	57.6	41⅜–17¼	29⅝	5.2	154	3.71	8	1.88	6.3
562	202	Levitz Furniture	57.0	34 –15½	25⅛	4.3	107	3.65	7	1.00	4.0
563	22	Modern Merchandising	57.0	19¾– 6⅜	10⅛	8.3	84	0.75	14	0.20	2.0
564	669	Amstar	56.6	32½–14	28⅞	9.0	258	4.81	6	1.60	5.5
565	863	Amer Hospital Supply	56.5	47¾–22	46⅜	40.3	1,868	3.20	14	0.92	2.0
566	880	G D Searle	56.2	27½–10⅝	23⅝	52.7	1,246	1.76	13	0.52	2.2
567	443	First Wisconsin	56.0	29¾–17⅜	27½	4.2	115	6.06	5	1.88	6.8
568	462	Michigan National	55.8	21½–11⅞	18½	9.9	183	3.88	5	1.20	6.5
569	786	Jewel Companies	55.6	34 –17½	31⅛	11.3	352	4.96	6	1.92	6.2
570	802	Chase Manhattan	55.5	47 –26⅜	42¾	32.3	1,379	10.31	4	2.80	6.5
571	835	Amer Natl Resources	55.4	54⅞–32¾	52⅝	23.1	1,216	5.04	10	3.44	6.5
572	632	CPC International	54.9	75¼–40½	65⅝	23.8	1,564	7.93	8	3.40	5.2
573	789	Air Prods & Chems	54.2	54¼–21	51⅛	28.4	1,451	4.07	13	0.80	1.6
574	445	Gray Drug Stores	54.1	19¾– 8⅞	14⅛	2.6	37	0.70	20	0.80	5.7
575	959	Upjohn	54.0	67 –30	65¼	29.8	1,947	5.60	12	2.00	3.1
576	871	Marine Midland Banks	53.9	21⅜– 8¾	17⅛	15.8	271	3.66	5	0.90	5.3
577	148	Blue Bell	53.8	37⅞–17⅜	28⅜	12.5	360	5.40	5	1.80	6.3
578	580	Transway Intl	53.3	29⅞–16⅞	25⅞	6.5	169	3.16	8	1.80	7.0
579	416	Interpace	53.2	31¼–15	23⅝	4.3	102	2.64	9	1.50	6.3
580	612	Edward Hines Lumber	53.2	26¼–11¾	18	1.7	31	–1.37	def	0.60	3.3
581	639	Connecticut General	52.9	50½–29¼	45⅝	41.3	1,886	7.33	6	1.52	3.3
582	591	Springs Mills	52.9	20⅞–10¼	16⅝	8.7	145	3.58	5	1.20	7.2
583	893	Quaker State Oil	52.7	20¾–10¼	20	21.7	434	1.17	17	0.80	4.0
584	589	Pittsburgh National	52.3	47½–27½	42¼	6.2	262	7.94	5	3.00	7.1
585	722	Square D	51.8	33½–17⅝	31⅞	25.5	814	3.13	10	1.70	5.3

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.
def: deficit.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
586	1003	DEKALB AgResearch	51.7%	55¾–16½	55¾	12.0	$ 671	$3.60	15	$0.72	1.3%
587	720	Richardson-Merrell	51.3	38⅛–17½	37⅝	23.2	872	3.69	10	1.32	3.5
588	849	R J Reynolds Inds	51.2	47½–26⅛	46½	101.5	4,721	6.24	7	2.40	5.2
589	501	W W Grainger	51.0	40¼–24⅜	37¾	14.1	533	3.17	12	1.00	2.6
590	519	Ferro	50.9	35 –14½	22⅛	7.7	170	3.84	6	1.20	5.4
591	253	Consolidated Edison	50.8	26½–15	22⅝	62.8	1,421	4.80	5	2.68	11.8
592	615	Lincoln National	50.5	48 –24	39⅞	20.8	828	7.16	6	3.00	7.5
593	620	Sperry	50.3	60⅜–29⅛	59	40.3	2,380	7.68	8	1.76	3.0
594	428	FMC	50.3	31¼–19½	30¼	32.1	972	4.23	7	1.60	5.3
595	344	Seafirst	50.0	31⅞–16⅜	25	15.2	381	4.41	6	1.28	5.1
596	715	Allied Products	50.0	14⅞– 6½	10⅜	2.7	28	–0.77	def	0.20	1.9
597	796	Texas Instruments	49.9	144¾–61⅜	142	22.9	3,258	8.93	16	2.00	1.4
598	701	Lane Bryant	49.5	23½–11¼	18½	4.6	84	2.44	8	1.00	5.4
599	791	Hoover	48.8	18⅜– 8½	15¼	12.1	185	2.86	5	1.00	6.6
600	502	Intl Multifoods	48.7	25½–12⅜	18½	8.0	149	2.21	8	1.32	7.1
601	582	Cummins Engine	48.7	58½–19⅝	29	8.4	242	–0.84	def	1.80	6.2
602	608	Farmers Group	48.7	32⅛–17⅞	28¼	33.9	958	3.17	9	1.00	3.5
603	514	Textron	47.8	35 –20⅛	29¾	33.3	991	4.30	7	1.80	6.1
604	449	Garfinckel Brooks Bros	47.8	29⅛–13⅛	20½	4.4	89	3.15	7	1.30	6.3
605	550	Robertshaw Controls	47.7	29½–13⅜	20⅛	3.9	79	2.38	8	1.40	7.0
606	498	Natl Detroit	47.5	35⅜–19⅞	29½	12.2	359	5.86	5	2.00	6.8
607	506	Eaton	47.5	34⅞–19¾	29¼	26.4	771	4.64	6	1.72	5.9
608	718	Masonite	47.4	30⅞–14⅞	28	13.6	381	2.19	13	1.32	4.7
609	268	Phillips-Van Heusen	46.7	18 – 7⅝	11	3.0	33	1.85	6	0.60	5.5
610	132	Niagara Frontier Services	46.5	32⅜–11⅞	18½	2.1	39	4.09	5	1.00	5.4
611	828	First Intl Bshs	46.1	47½–28⅞	43¼	20.5	885	5.40	8	1.80	4.2
612	353	DPF	46.0	14¼– 4½	6⅜	4.5	31	1.37	5	none	0.0
613	801	Scott Paper	45.3	24⅛–12	21¼	38.9	826	3.31	6	1.00	4.7
614	810	Southern Pacific	45.0	47½–25	43⅞	27.0	1,183	5.50	8	2.60	5.9
615	556	Safeco	44.4	40⅝–21⅞	35⅝	19.2	685	6.52	5	2.00	5.6
616	133	American Bakeries	44.4	19½–11¼	16½	2.0	34	0.76	22	0.20	1.2
617	411	Roper Corp	44.4	15⅛– 8	12	3.7	44	0.83	14	0.90	7.5
618	458	Ball Corp	44.3	29¼–16⅜	26⅞	5.1	138	4.91	5	1.60	6.0
619	614	First Charter Finl	44.2	21¾–10¾	17	29.8	506	1.54	11	0.80	4.7
620	552	AMAX	44.1	59½–20¾	45⅜	61.1	2,773	7.97	6	2.40	5.3
621	883	First Natl Boston	44.0	37⅛–22⅝	33⅛	12.4	411	8.10	4	2.50	7.5
622	904	General Re	43.8	61¼–33⅜	55	21.8	1,199	6.88	8	1.40	2.5
623	487	Arvin Industries	43.6	23⅜– 9⅝	14	6.6	92	1.30	11	1.12	8.0
624	623	Intl Tel & Tel	43.3	36⅝–22¼	32¼	118.6	3,824	5.23	6	2.60	8.1
625	691	Masco	43.1	34¼–15⅝	33⅝	24.6	827	2.94	11	0.68	2.0
626	*	Equitable of Iowa	42.7	22¼–10¼	15¼	6.2	95	3.67	4	1.20	7.9
627	729	B F Goodrich	42.4	33⅝–16⅛	25⅝	16.7	427	3.12	8	1.56	6.1
628	382	Consol Freightways	42.3	34 –18	26½	13.1	347	3.49	8	1.40	5.3
629	1005	Singer	42.1	26 – 6¼	13½	16.6	224	1.55	9	0.10	0.7
630	557	Ward Foods	41.6	12⅜– 4⅛	11⅛	3.9	44	–2.18	def	none	0.0
631	523	Owens-Corning Fbrgls	41.5	36⅝–21	30¼	30.6	926	2.02	15	1.20	4.0
632	386	Snap-On Tools	41.4	29 –12⅜	22⅝	19.9	451	1.95	12	0.84	3.7
633	451	DETROITBANK	41.2	29⅜–16	22½	8.1	182	3.88	6	2.00	8.9
634	644	Kimberly-Clark	41.2	55 –36¼	51⅞	23.1	1,199	7.47	7	3.20	6.2
635	616	Amer Maize-Products	40.9	20⅞– 5⅞	18¼	5.2	94	1.95	9	0.52	2.9
636	566	Gulf & Western Inds	40.6	20⅞– 8	18	68.9	1,240	4.38	4	0.75	4.2
637	578	Manufacturers National	40.4	30⅜–15⅝	22	5.1	111	5.85	4	2.20	10.0
638	301	Campbell Taggart	40.2	28¾–15⅝	22¾	11.1	252	3.21	7	1.20	5.3
639	593	Rath Packing	40.0	8¼– 2	4⅜	1.2	5	1.52	3	none	0.0
639	352	White Consolidated	40.0	28⅛–16¾	26¼	13.3	349	3.86	7	1.40	5.3
641	658	Girard	39.9	27¼–17	23¼	5.3	124	6.11	4	2.00	8.6
642	559	Jack Eckerd	39.5	37 –18⅞	34⅞	23.7	825	2.92	12	1.20	3.4
643	318	Universal Foods	39.4	23 – 7¾	11	6.7	74	1.52	7	0.96	8.7
644	1026	GEICO	39.1	16½– 2⅛	16	19.8	317	2.73	6	0.44	2.8
645	884	Lukens Steel	39.1	19 –10⅜	15⅛	5.2	79	0.77	20	0.48	3.2
646	447	Champion Intl	38.4	28⅞–16¾	25¼	53.7	1,356	3.11	8	1.48	5.9
647	475	Harcourt Brace Jovan	38.0	41¼–21⅛	31¾	4.4	140	5.85	5	1.60	5.0
648	407	Diamond Shamrock	37.2	40 –19	36⅝	56.1	2,054	3.94	9	1.68	4.6
649	542	Fruehauf	37.1	40 –18¾	25⅞	12.2	317	3.21	8	2.40	9.3
650	504	Genl Tire & Rubber	37.1	30⅝–12¼	22½	23.7	532	1.08	21	1.50	6.7

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.
*Not ranked last year. def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
80	79										
651	731	American Greetings	36.6%	14⅝– 8¼	12⅛	13.7	$ 166	$1.90	6	$0.52	4.3%
652	468	Magic Chef	36.5	14⅞– 6	8⅞	7.8	69	0.25	36	0.32	3.6
653	955	Wheeling-Pitts Steel	36.3	24¾– 8	23	3.9	89	4.37	5	none	0.0
654	438	Scovill	36.2	24⅞–11¾	16	9.3	149	2.74	6	1.52	9.5
655	424	Gould	35.6	35½–17½	24⅝	28.3	697	2.89	9	1.72	7.0
656	754	Kaiser Steel	35.4	50¼–17⅝	43	7.0	301	17.28	2	none	0.0
657	819	Brunswick	35.2	18¾–10⅛	14⅞	20.2	301	1.24	12	0.90	6.1
658	824	Signode	35.2	45 –28⅜	43¼	7.9	343	5.08	9	1.84	4.3
659	173	American Stores	35.0	34½–17¾	27	9.8	264	4.66	6	0.80	3.0
660	38	Hartfield-Zodys	34.7	13 – 3¼	7½	3.7	28	1.33	6	0.40	5.3
661	723	Wetterau	34.3	16⅝–10¼	15⅝	7.4	116	1.98	8	0.70	4.5
662	939	Citizens & Southern NB	34.0	9 – 4	8⅜	28.8	241	1.14	7	0.40	4.8
663	765	Bristol-Myers	33.7	52 –28	46⅛	65.6	3,027	3.94	12	1.60	3.5
664	599	Ryan Homes	32.9	30 –14⅜	25¾	6.6	169	2.59	10	1.30	5.0
665	653	Caterpillar Tractor	32.5	65 –43½	61⅝	36.5	5,327	5.19	12	2.40	3.9
666	851	Chemical New York	32.2	47⅛–30⅛	40	15.0	599	10.26	4	3.48	8.7
667	590	NCNB	32.1	16⅝– 9¼	12⅞	18.5	238	2.61	5	0.80	6.2
668	714	Illinois Tool Works	32.0	30 –18½	28⅜	12.2	347	3.38	8	1.08	3.8
669	879	Xerox	31.7	71¾–40½	67	84.4	5,657	7.17	9	2.80	4.2
670	749	Armstrong Rubber	31.4	34⅜–14⅝	19⅝	1.7	33	–10.17	def	1.20	6.2
671	659	Clark Equipment	31.3	46½–25⅛	33	12.7	420	4.66	7	2.20	6.7
672	430	Olin	31.1	25¾–12½	19¾	24.0	474	3.20	6	1.10	5.6
673	926	Liquid Air of No Amer	30.9	35 –19¾	31¾	10.2	324	2.74	12	1.40	4.4
674	764	General Electric	30.9	60⅞–43⅜	60⅜	227.7	13,745	6.53	9	3.00	5.0
675	711	National Fuel Gas	30.6	33⅜–21	27¾	5.1	142	4.30	6	2.70	9.7
676	943	Ceco	30.6	21½– 9⅛	19¾	3.2	64	4.62	4	0.90	4.6
677	727	H J Heinz	30.4	46⅝–26½	43⅛	22.5	972	5.92	7	2.40	5.5
678	633	NLT	30.2	37 –15⅛	21	34.6	728	3.85	5	1.32	6.3
679	390	Scott & Fetzer	30.1	36⅛–17¼	23¾	7.4	176	3.40	7	1.80	7.6
680	469	Anderson, Clayton	30.0	27⅝–17⅝	22¾	12.8	291	3.78	6	1.20	5.3
681	549	Revlon	29.6	59 –34⅞	48¾	35.7	1,741	4.87	10	1.84	3.8
682	482	Zale	29.4	27¾–11¼	27½	11.2	307	4.47	6	1.16	4.2
683	540	Nabisco	29.2	28½–17¾	24⅞	32.2	802	3.75	7	1.80	7.2
684	768	Philadelphia Natl	29.2	34½–23½	31	5.8	181	6.75	5	2.64	8.5
685	379	Cluett, Peabody	29.0	14⅞– 7¼	10	8.9	89	1.85	5	0.68	6.8
686	990	Sterling Drug	28.9	26⅞–12⅜	24	60.3	1,448	1.97	12	0.92	3.8
687	551	Stokely-Van Camp	28.8	37⅝–17¾	23½	3.3	78	2.42	10	1.48	6.3
688	586	Strawbridge & Clothier	28.7	31¾–18½	23¾	2.0	47	5.32	4	1.40	5.9
689	878	Bucyrus-Erie	28.4	30¼–15¼	24⅞	20.4	508	2.45	10	0.88	3.5
690	864	Fischbach	27.5	36 –19¾	29	3.3	97	3.90	7	1.60	5.5
691	721	IBM	27.3	80½–50⅜	71⅜	583.4	41,641	5.72	12	3.44	4.8
692	915	Continental Group	27.3	37⅞–25¼	35	32.7	1,145	5.77	6	2.40	6.9
693	564	Intl Harvester	26.8	45½–22⅜	28⅜	31.4	892	–8.76	def	2.50	8.8
694	740	Southern Calif Edison	26.8	27¾–18⅜	24⅞	73.5	1,827	3.96	6	2.96	11.9
695	677	AmeriTrust	26.6	38 –23	29¾	9.2	275	6.05	5	2.72	9.1
696	660	Univar	26.5	15¾– 6¾	13⅛	6.4	85	2.23	6	0.56	4.3
697	503	Interco	26.5	53⅝–34	49	14.0	685	7.45	7	2.64	5.4
698	974	Kerr-McGee	26.0	92⅜–39⅞	88½	25.9	2,291	6.59	13	1.80	2.0
699	594	Brooklyn Union Gas	26.0	25 –16⅛	20⅝	7.8	161	3.61	6	2.22	10.8
700	862	MAPCO	25.7	51⅞–26¼	45⅞	18.8	864	4.48	10	1.70	3.7
701	357	Hershey Foods	25.5	27½–16⅝	23⅜	14.2	331	3.97	6	1.60	6.8
702	629	Celanese	24.3	62⅝–35⅝	55	14.4	793	7.36	7	3.60	6.5
703	724	American Cyanamid	24.1	38 –20⅝	30⅞	48.0	1,481	3.26	9	1.60	5.2
704	520	Amerace	24.0	32¼–16¼	20	2.4	49	3.72	5	1.32	6.6
705	571	Washington Gas Light	23.6	27½–18	22¼	4.4	98	2.39	9	2.52	11.3
706	716	Pacific Lighting	22.8	24½–16¾	20⅞	25.0	521	3.23	6	2.44	11.7
707	741	National Tea	21.9	6¼– 3⅝	4⅞	10.0	49	0.85	6	none	0.0
708	687	Utah Power & Light	21.8	23¼–13	16¾	39.6	663	2.06	8	2.00	11.9
709	959	M Lowenstein	20.9	19⅞– 7½	13⅜	3.3	46	0.21	65	none	0.0
710	692	McCormick	20.3	33⅛–12⅝	20	11.4	229	1.79	11	0.66	3.3
711	793	St Paul Companies	20.2	42¼–25	37⅛	21.0	778	7.06	5	2.32	6.2
712	*	National City	19.8	48½–28¾	34¾	7.8	272	6.21	6	2.75	7.9
713	685	Mellon National	19.8	31⅞–21¾	30¼	19.6	593	5.49	6	1.84	6.1
714	674	West Point-Pepperell	19.7	45⅜–27¼	43¼	4.6	197	9.32	5	3.20	7.4
715	640	Anchor Hocking	19.7	21⅞–13¾	18¼	10.3	187	2.71	7	1.28	7.0

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.
*Not ranked last year. def: deficit.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
716	892	Becton, Dickinson	19.6%	48¾–22	46⅝	20.0	$ 933	$3.14	15	$1.00	2.1%
717	511	Copperweld	18.9	26½–15¾	22	5.7	126	2.87	8	1.48	6.7
718	708	Central Tel & Utils	18.2	28¾–19¼	22¾	26.0	591	3.44	7	2.00	8.8
719	730	Echlin Manufacturing	18.1	21½–10½	13⅞	16.0	222	0.55	25	0.52	3.7
720	1000	Sherwin-Williams	17.4	43⅛–19⅝	38¾	4.9	189	5.25	7	1.20	3.1
721	401	Northwest Airlines	17.4	37⅛–19	27	21.6	584	0.15	–	0.80	3.0
722	495	Southland	17.2	31⅞–16⅞	22½	23.6	532	2.99	8	0.96	4.3
723	812	Interlake	17.1	42½–21⅛	30	6.0	181	1.36	22	2.20	7.3
724	780	Baxter Travenol Labs	17.0	56⅝–28¼	46⅜	34.6	1,604	3.49	13	0.64	1.4
725	820	J P Stevens	16.9	21⅞–11	17⅝	14.2	251	3.03	6	1.20	6.8
726	738	Bank of New York	16.7	43¼–26¾	34	6.6	224	7.40	5	3.00	8.8
727	686	Northwest Bancorp	16.7	29¼–18	25⅜	25.9	656	4.36	6	1.48	5.8
727	717	United Telecom	16.7	21½–14	16⅝	69.4	1,153	2.43	7	1.60	9.6
729	702	Atlanta Gas Light	16.5	17⅛–12½	15	4.5	68	2.89	5	1.68	11.2
730	913	Merck	16.1	82⅜–47⅜	80⅜	75.0	6,024	5.54	15	2.60	3.2
731	673	BankAmerica	15.9	30⅞–20¼	24⅝	146.9	3,617	4.35	6	1.44	5.8
732	633	General Refractories	15.9	14 – 5	9⅝	3.8	35	0.39	23	none	0.0
733	742	VF	15.7	32 –16½	28½	8.1	230	4.57	6	2.00	7.0
734	788	Emerson Electric	15.6	41½–29⅜	39¾	63.5	2,523	3.72	11	1.76	4.4
735	676	Genuine Parts	15.5	29⅞–18¾	28	27.6	772	2.40	12	1.04	3.7
736	756	Continental Tel	15.3	17⅞–12¼	14⅛	53.9	762	2.08	7	1.44	10.2
737	652	Castle & Cooke	14.5	20⅜–10⅛	13	25.3	329	0.76	17	0.80	6.2
738	641	New England G & E	14.4	18⅞–11¾	14⅞	7.6	113	2.86	5	1.72	11.6
739	759	Greyhound	14.3	18⅝–11	15	44.3	664	2.78	5	1.20	8.0
739	*	UMC Industries	14.3	22⅜–10⅝	12	5.9	71	1.71	7	1.20	10.0
741	823	Houston Industries	13.8	36⅛–20¼	26⅞	42.4	1,139	4.85	6	2.68	10.0
742	700	Equifax	13.7	30¼–17	23⅞	3.3	80	3.06	8	2.40	10.1
743	826	National-Standard	13.1	23⅞–12⅛	14	4.1	58	1.29	11	1.24	8.9
744	994	Ingersoll-Rand	12.9	95½–44¼	79	19.0	1,499	7.32	11	3.32	4.2
745	958	Eli Lilly	12.8	63⅞–32⅝	58⅜	75.7	4,419	4.59	13	2.30	3.9
746	578	Beneficial Corp	12.8	32⅛–17⅜	19⅞	22.1	440	2.92	7	2.00	10.1
747	131	American Family	12.5	15½– 6½	7⅝	12.2	93	1.59	5	0.60	7.9
748	532	Consolidated Foods	12.5	27¼–19⅜	23⅝	29.6	700	4.23	6	1.90	8.0
748	779	San Diego Gas & Elec	12.5	16⅜–11⅛	12⅜	34.2	423	1.08	11	1.60	12.9
750	678	Continental Corp	12.0	31⅞–20⅞	24½	51.1	1,252	4.67	5	2.20	9.0
751	881	Reichhold Chemicals	11.8	20⅛– 9⅝	13	6.9	90	1.25	10	0.48	3.7
752	928	Mallinckrodt	11.7	49¾–25¼	45½	9.4	428	3.74	12	1.40	3.1
753	237	Dana	11.6	32⅜–17⅞	21⅝	33.1	716	2.78	8	1.60	7.4
754	569	American Airlines	11.3	19¾– 6¾	9⅞	28.7	283	–2.76	def	none	0.0
755	657	New England Electric	10.8	24¾–17¼	21¾	21.8	474	3.31	7	2.50	11.5
756	*	Mercantile Bancorp	10.6	32½–20½	26⅛	5.9	154	6.20	4	2.48	9.5
757	204	National Kinney	10.5	10¼– 1⅛	2⅝	6.4	17	–0.30	def	none	0.0
758	585	BancOhio	10.3	24½–11¾	13½	8.0	109	0.81	17	1.40	10.4
759	719	Nash Finch	10.2	16 –11¾	13½	3.5	47	2.49	5	1.23	9.1
760	618	Cal-Maine Foods	10.0	7 – 3½	3¾	2.6	10	–1.31	def	none	0.0
760	617	Libbey-Owens-Ford	10.0	37⅜–19¾	24¾	11.1	274	2.02	12	1.20	4.8
762	679	AMF	9.7	24⅜–11½	21⅛	20.5	432	2.60	8	1.24	5.9
763	841	Potomac Elec Power	9.4	16⅝–10	13⅛	42.1	552	2.10	6	1.52	11.6
764	867	Genesco	9.3	9 – 2¾	5⅞	12.6	74	0.09	65	none	0.0
765	698	CBS	9.0	64⅜–42½	51¼	27.9	1,428	6.71	8	2.80	5.5
766	664	General Tel & Elec	8.9	33½–23	27⅝	152.9	4,223	2.87	10	2.72	9.8
767	970	Phelps Dodge	8.6	48¼–17⅝	39⅜	20.8	820	4.60	9	1.60	4.1
768	628	Diamond Int'l	8.5	50 –27¼	35⅝	15.5	551	3.08	12	2.20	6.2
769	906	Minn Mining & Mfg	8.1	66⅝–43	60	117.4	7,043	5.72	10	2.80	4.7
770	853	Johns-Manvi[illegible]	8.1	38¼–18¼	25⅛	22.6	568	2.57	10	1.92	7.6
771	324	F W Woolworth	8.0	32 –17⅛	23¾	30.0	712	5.22	5	1.80	7.6
772	472	Quaker Oats	7.6	35¾–20	28¼	20.2	571	4.46	6	1.60	5.7
773	637	Union Camp	7.0	67⅞–36½	51	24.3	1,239	6.60	8	2.60	5.1
774	800	Minnesota Gas	6.9	25⅛–17¼	19⅜	4.1	79	3.53	5	2.04	10.5
775	561	General Foods	6.8	37 –23½	29½	50.0	1,474	4.71	6	2.20	7.5
776	533	Gerber Products	6.5	39½–17⅞	26⅝	8.9	237	3.71	7	1.74	6.5
777	681	Laclede Gas	6.4	24⅛–14⅞	18⅝	4.4	81	3.50	5	2.14	11.5
778	546	Harnischfeger	6.3	26 –11½	14⅞	8.9	133	0.53	28	0.40	2.7
779	728	Briggs & Stratton	5.6	33⅜–20¾	23¾	14.5	344	3.35	7	1.52	6.4
780	707	Marsh & McLennan Cos	5.2	36⅛–25¾	30⅝	27.9	854	3.11	10	2.00	6.5

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*Not ranked last year. def: deficit.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range.	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
781	574	PepsiCo	5.0%	33⅞–20	24½	91.2	$2,235	$3.07	8	$1.30	5.3%
782	706	Household Finance	4.7	22⅛–13⅜	16¾	46.4	777	2.95	6	1.60	9.6
783	387	Saga	4.6	16¾– 6⅞	8½	4.8	41	1.53	6	0.44	5.2
784	828	Central Soya	4.5	21⅜– 8⅜	17½	14.8	258	2.38	7	0.84	4.8
785	919	Northern Trust	4.4	42 –27¾	35½	4.8	170	6.29	6	2.44	6.9
786	971	Johnson & Johnson	4.3	96½–62⅛	93⅜	61.5	5,761	6.32	15	2.30	2.5
787	*	Montana Power	4.3	32⅜–18	27⅝	11.9	328	2.78	10	2.12	7.7
788	613	Stauffer Chemical	4.1	27 –14½	22⅛	43.9	972	2.95	8	1.20	5.4
789	827	WICOR	3.7	25⅛–16⅜	17⅝	4.1	72	2.49	7	2.04	11.6
790	695	Purolator	3.4	45½–19½	33⅞	4.4	151	2.61	13	1.44	4.3
791	938	Avondale Mills	3.4	26⅝–13½	19⅝	2.3	44	3.12	6	1.20	6.1
792	734	Arizona Public Service	3.2	21⅝–14⅜	16¼	47.5	772	2.86	6	2.12	13.0
793	805	E I du Pont	2.9	53¾–31⅛	43⅜	146.5	6,356	4.84	9	2.75	6.3
794	798	Pacific Pwr & Lt	2.5	24¼–16¼	20⅞	45.5	950	2.20	9	2.04	9.8
795	865	Owens-Illinois	2.2	31⅝–17⅛	26½	28.7	761	4.99	5	1.40	5.3
796	869	Chubb	2.1	46⅜–29⅛	37¼	12.4	462	8.60	4	2.40	6.4
797	859	Chesebrough-Pond's	1.9	32⅜–19⅛	30½	32.4	987	3.01	10	1.28	4.2
798	588	Pennwalt	1.8	42½–25⅜	28	8.8	246	4.33	6	2.20	7.9
799	772	Avon Products	1.8	63 –31⅛	35½	60.2	2,135	4.01	9	3.00	8.5
800	799	GAF	1.2	17⅜– 7⅜	10⅞	13.5	146	1.24	9	0.80	7.4
801	547	Walt Disney	0.6	60¼–31½	48	32.3	1,553	4.16	12	1.00	2.1
802	299	Pay'n Save	0.5	30⅞–18	24⅛	5.5	133	3.42	7	0.86	3.6
803	627	Pub Svc Elec & Gas	0.0	26⅛–15½	18⅛	75.8	1,375	3.06	6	2.32	12.8
804	630	Indianapolis Pwr & Lt	–0.6	27 –17	20¼	13.2	267	3.76	5	2.24	11.1
805	858	Manufacturers Hanover	–0.9	41⅜–26½	28¾	33.3	958	6.71	4	2.52	8.8
806	794	Winn-Dixie Stores	–1.1	34¾–23⅜	28⅜	26.3	745	3.32	9	1.92	6.8
807	751	St Regis Paper	–1.1	50½–25¼	33¾	32.2	1,088	5.24	6	2.12	6.3
808	1009	Kennecott	–1.2	47 –18⅜	30½	33.2	1,011	2.53	12	1.40	4.6
809	662	Georgia-Pacific	–1.3	37⅜–21½	26⅛	98.6	2,575	2.39	11	1.20	4.6
810	656	Florida Power & Lt	–1.4	29⅜–19⅞	26½	41.6	1,102	4.42	6	2.72	10.3
811	437	Lucky Stores	–1.4	18½–12¼	15	49.5	742	1.87	8	1.12	7.5
811	596	Tampa Electric	–1.4	21⅛–13¼	17½	15.4	269	2.77	6	1.56	8.9
813	651	Wisconsin Public Svc	–1.5	22 –13⅜	16⅞	10.9	183	2.78	6	1.82	10.8
814	845	So New England Tel	–1.5	41 –29½	32½	12.8	415	4.71	7	3.60	11.1
815	481	Purex Industries	–1.7	20⅛–13¼	14¾	11.3	166	2.38	6	1.40	9.5
816	877	Pacific Gas & Elec	–1.8	25½–19¼	20⅜	115.6	2,355	3.52	6	2.60	12.8
817	888	American Express	–2.0	42⅜–25¼	36	71.2	2,565	5.12	7	2.00	5.6
818	461	Florida Power	–2.1	17⅛–10⅞	14⅜	32.3	464	1.95	7	1.64	11.4
819	896	Kansas Power & Light	–2.8	23⅝–14½	17⅝	12.7	224	3.23	5	2.04	11.6
820	709	Baltimore Gas & Elec	–2.8	28½–18⅜	21⅝	32.2	697	3.41	6	2.56	11.8
821	456	Oscar Mayer	–3.0	26 –15½	16¼	16.0	260	1.94	8	1.10	6.8
822	649	Talley Industries	–3.7	15⅜– 4¼	6½	4.8	31	–1.62	def	none	0.0
823	643	Graniteville	–3.9	17⅜– 9¾	12½	4.3	54	2.65	5	1.00	8.0
824	515	Pillsbury	–3.9	47¾–27⅛	37⅛	20.0	744	5.41	7	2.00	5.4
825	866	American Can	–4.0	43⅜–27¼	30⅛	19.3	582	4.54	7	2.90	9.6
826	939	Pamida	–4.4	8¾– 2½	5⅜	9.3	50	0.39	14	none	0.0
827	303	Pan Am World Airways	–4.8	10¾– 3⅜	5	71.2	356	–1.82	def	none	0.0
828	452	Easco	–4.8	30¼–13⅜	17⅜	3.1	54	0.91	19	1.20	6.9
829	852	American Tel & Tel	–4.9	65⅝–45	48⅜	720.2	34,839	8.07	6	5.00	10.3
830	887	Republic Steel	–5.1	40⅜–20¼	25⅜	16.2	417	1.31	20	2.00	7.8
831	874	Scot Lad Foods	–5.9	8 – 3¼	5⅜	4.4	24	0.97	6	none	0.0
832	648	Rochester Gas & Elec	–6.2	19⅝–11¼	13¼	16.4	217	2.13	6	1.52	11.5
833	783	Envirotech	–6.3	42⅝– 6½	16¾	4.6	76	–3.48	def	none	0.0
834	844	Borden	–6.6	36⅛–19⅝	24⅞	30.8	767	4.59	5	1.90	7.6
835	434	Denny's	–6.7	35 –11⅞	19⅛	8.7	167	2.07	9	0.88	4.6
836	806	Coca-Cola Bottling NY	–6.9	10½– 3⅞	6¾	19.2	130	–0.66	def	0.16	2.4
837	563	Wm Wrigley Jr	–6.9	48⅜–28½	32¾	7.9	258	3.55	9	2.09	6.4
838	947	Roadway Express	–7.1	48⅛–21⅜	37¾	19.6	739	3.37	11	1.00	2.6
839	789	G C Murphy	–7.7	23⅜–11⅝	15	3.9	59	2.56	6	1.28	8.5
840	917	Campbell Soup	–7.8	39⅜–25⅛	30⅞	32.9	1,016	4.19	7	2.10	6.8
841	703	Brockway Glass	–8.0	24⅜–12½	16¼	7.4	120	2.42	7	1.20	7.4
842	815	Wisconsin Pwr & Lt	–8.1	23 –14⅛	15⅝	11.3	177	2.60	6	1.92	12.3
843	602	Gas Service	–8.2	16¼– 9⅞	11¼	4.2	47	1.54	7	1.28	11.4
844	427	Certain-teed	–8.2	28¼–11⅜	14	13.5	188	0.05	–	0.90	6.4
845	787	Southwestern Pub Svc	–8.3	15¾– 9½	11⅛	28.5	317	1.52	7	1.38	12.4

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*Not ranked last year. def: deficit.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
846	413	Kings Dept Stores	–8.6%	16¼– 7¾	8	7.3	$ 59	$1.14	7	$0.90	11.3%
847	761	Long Island Lighting	–8.7	20⅜–13½	14½	69.1	1,002	2.44	6	1.86	12.8
848	255	Allied Stores	–9.3	29⅝–18⅝	20¾	20.5	424	3.92	5	1.70	8.2
849	762	Delmarva Power & Lt	–9.6	15 –10¼	11¾	24.5	288	1.80	7	1.48	12.6
850	890	First Bank System	–9.8	47 –32¾	37	15.1	558	7.14	5	2.24	6.1
850	910	Weyerhaeuser	–9.8	49⅝–20⅝	33½	125.2	4,193	2.99	11	1.30	3.9
852	953	Rohm & Haas	–9.9	76⅜–28	52¼	12.9	674	7.35	7	2.32	4.4
853	499	Dillard Dept Stores	–10.0	20 –12	14⅝	3.0	43	2.70	5	0.40	2.7
853	756	Foodarama Supermkts	–10.0	10 – 3¼	3⅝	1.3	5	–1.03	def	none	0.0
855	558	Dillon Companies	–10.0	22¾–13⅜	14¾	16.9	250	1.71	9	1.08	7.3
856	825	Kellwood	–10.4	23½– 8⅛	10¾	3.5	37	1.51	7	0.40	3.7
857	680	Niagara Mohawk Power	–10.6	17¼–10½	11⅝	72.8	846	1.78	7	1.52	13.1
858	770	N Y State Elec & Gas	–10.6	21¾–13⅛	14⅜	28.9	415	2.81	5	1.88	13.1
859	766	Sybron	–10.7	24¾–12	14⅝	9.5	140	2.27	6	1.08	7.4
860	916	Jefferson-Pilot	–11.4	38 –22⅞	24⅜	21.9	534	4.35	6	1.40	5.7
861	536	Consumers Power	–11.8	25⅞–15½	16¾	57.2	958	2.67	6	2.36	14.1
862	725	Sunbeam	–12.1	28¼–12⅝	18¼	15.1	275	3.20	6	1.50	8.2
863	619	Petrie Stores	–12.1	49⅝–23¼	30⅞	13.6	419	3.40	9	1.75	5.7
864	969	Inco	–12.4	37 –13⅜	22⅛	75.7	1,675	3.00	7	0.72	3.3
865	985	Intl Flavors & Frag	–12.5	28⅜–16⅝	21	36.6	769	1.78	12	0.92	4.4
866	689	Hobart	–12.6	28 –12½	19	11.4	217	2.74	7	1.32	6.9
867	859	Harris Bankcorp	–12.7	39⅛–22½	23⅛	6.8	157	5.02	5	2.00	8.6
868	838	Kellogg	–12.8	28¼–15⅝	18¾	76.4	1,433	2.35	8	1.40	7.5
869	774	Pittston	–12.8	47 –16	26½	37.8	1,002	2.01	13	1.20	4.5
870	776	Maytag	–13.0	39 –21½	27⅝	13.3	368	3.02	9	2.10	7.6
871	856	Longs Drug Stores	–13.1	41½–20⅝	29¾	10.6	314	2.71	11	0.84	2.8
872	525	Gino's	–13.2	18 – 6¼	9⅞	2.7	26	–0.77	def	0.44	4.5
873	1008	A H Robins	–13.3	14¼– 6⅝	9¾	25.1	245	1.92	5	0.40	4.1
874	949	Economics Laboratory	–13.5	31⅝–16	21⅝	13.5	292	2.26	10	1.04	4.8
875	684	Clorox	–13.5	15⅞– 7⅞	10⅝	23.0	239	1.50	7	0.80	7.7
876	744	Monsanto	–13.6	100 –42¼	66	36.0	2,377	6.28	11	3.60	5.5
877	670	So Carolina E & G	–13.7	21 –12	14⅛	25.9	365	2.10	7	1.74	12.3
878	631	Carolina Pwr & Lt	–13.8	25⅜–14⅞	17¼	51.0	880	2.35	7	2.24	13.0
879	511	Jonathan Logan	–13.8	18¾– 6½	10⅞	5.2	56	–6.59	def	0.60	5.5
880	979	Bethlehem Steel	–14.1	48 –18¼	28¼	43.7	1,234	2.37	12	1.60	5.7
881	655	Detroit Edison	–14.2	18 –10⅞	11⅜	80.8	919	1.64	7	1.60	14.1
881	1013	Kerr Glass Mfg	–14.2	22 – 8½	11⅜	4.0	45	1.78	6	0.44	3.9
883	954	Zenith Radio	–14.3	40⅝– 7⅞	20¼	18.8	381	1.47	14	0.60	3.0
884	813	Polaroid	–14.5	60¼–19	26½	32.9	871	2.50	11	1.00	3.8
885	855	Pa Power & Light	–14.6	25⅛–14½	16⅞	44.9	758	2.71	6	2.12	12.6
886	803	Boston Edison	–14.7	28⅜–18⅝	19⅝	13.7	269	3.53	6	2.80	14.3
887	663	Duke Power	–14.7	23½–13¾	16⅝	84.5	1,405	3.07	5	2.04	12.3
888	777	Western Air Lines	–14.9	14⅝– 6	7⅞	13.0	103	–1.13	def	none	0.0
889	821	Union Electric	–15.0	16¾– 9¾	11⅜	59.5	677	2.25	5	1.52	13.4
890	975	American Home Products	–15.0	37¾–21⅜	28⅜	156.0	4,426	2.75	10	1.80	6.3
891	933	Gillette	–15.4	38⅞–17⅝	28¼	30.2	853	4.08	7	1.90	6.7
892	531	Stop & Shop	–15.4	20⅜–12½	14⅛	4.0	57	2.44	6	1.20	8.5
893	923	Gulf States Utils	–15.6	15⅜– 9	11½	46.2	531	2.28	5	1.48	12.9
894	811	Phila Electric	–15.8	21¼–11⅞	12⅜	90.7	1,145	1.96	6	1.80	14.3
895	606	Munford	–16.1	14¾– 5⅛	5⅞	2.2	13	0.39	15	none	0.0
896	951	Union Carbide	–16.2	76¾–33⅝	51¼	66.8	3,423	9.86	5	3.20	6.2
897	710	Northeast Utilities	–16.3	12⅜– 7⅝	8⅜	67.4	565	1.18	7	1.10	13.1
898	967	First Chicago	–16.6	25⅜–10¾	15⅛	39.7	601	1.74	9	1.20	7.9
899	982	Hercules	–16.8	38⅞–12¼	22⅞	42.4	971	2.49	9	1.20	5.2
900	980	Capital Holding	–17.2	26½–16	17½	27.9	488	3.14	6	1.08	6.2
901	921	Black & Decker	17.2	28¾–14¼	19¼	42.1	810	2.14	9	0.76	3.9
902	773	Carter Hawley Hale	–17.5	25¼–13¾	20⅝	25.2	520	2.57	8	1.16	5.6
903	964	J P Morgan	–17.5	64⅛–39⅝	44⅛	38.7	1,708	8.10	5	2.80	6.3
904	771	No States Power	–17.5	30½–18	21¾	29.3	638	2.93	7	2.42	11.1
905	850	General Mills	–17.6	35⅝–19	24⅝	50.3	1,240	3.40	7	1.48	6.0
906	966	Procter & Gamble	–17.8	100⅛–62¾	73⅛	82.7	6,049	7.88	9	3.80	5.2
907	833	Kansas City Pwr & Lt	–17.9	32⅜–18⅛	21¼	13.3	282	4.20	5	2.78	13.1
908	977	Carnation	–18.0	40⅜–21	28	37.3	1,045	4.10	7	1.66	5.9
909	963	Texas Utilities	–18.0	23⅜–14⅞	17⅛	94.2	1,613	2.94	6	1.76	10.3
910	1015	Skyline	–18.1	22⅛– 8½	13⅝	11.2	153	0.43	32	0.48	3.5

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.
def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
80	79										
911	927	Middle South Utils	−18.1%	17⅞–10¼	11⅞	106.1	$1,260	$2.03	6	$1.62	13.6%
912	995	Northwestern Steel	−18.1	38¾–22⅝	23⅛	7.5	174	2.55	9	1.20	5.2
913	804	Jim Walter	−18.2	44¼–23½	30⅜	16.3	496	4.30	7	1.90	6.3
914	713	Norton Simon	−18.3	23 –11	16⅞	48.0	810	2.48	7	1.08	6.4
915	972	Wachovia	−18.5‡	23 –15¼	17⅛	13.8	236	2.80	6	0.96	5.6
916	815	Central Ill Pub Svc	−18.6	16⅛–10	10⅜	28.9	299	1.68	6	1.40	13.5
917	842	Whirlpool	−18.8	34¾–14⅜	21⅛	36.2	765	2.57	8	1.40	6.6
918	934	Chic Pneumatic Tool	−19.0	35¾–16⅞	20¾	4.9	101	1.90	11	2.00	9.6
919	978	Liberty Natl Life	−19.3	28¼–16⅜	17¾	18.9	336	3.26	5	1.20	6.8
920	918	Cleveland Elec Illum	−19.3	23⅜–13½	14¼	45.7	652	2.17	7	2.00	14.0
921	898	Public Service Colo	−19.5	20¼–11⅛	12⅞	39.5	508	1.76	7	1.60	12.4
922	952	Goodyear	−19.5	25¼–10¾	17½	71.8	1,256	2.38	7	1.30	7.4
923	831	Squibb	−19.6	39¼–21⅜	26¾	48.5	1,297	2.66	10	1.20	4.5
924	524	Monfort of Colorado	−19.6	9¾– 3¼	5⅛	4.9	25	−4.82	def	none	0.0
925	870	Cincinnati G & E	−19.9	25⅞–14¾	15⅛	30.9	467	2.30	7	2.04	13.5
926	901	Louisville Gas & Elec	−20.3	27½–14½	18⅝	12.1	225	2.60	7	2.14	11.5
927	797	Kane-Miller	−20.6	13¼– 6½	7⅞	3.5	27	1.25	6	0.28	3.6
928	976	Anheuser-Busch Cos	−20.7	38⅜–17½	26¾	45.2	1,209	3.65	7	1.08	4.0
929	464	American Motors	−20.9	9½– 3⅝	4¼	32.0	136	−4.88	def	none	0.0
930	642	General Motors	−21.0	78⅞–39½	45½	292.8	13,323	−1.40	def	2.40	5.3
931	795	Southern Company	−21.2	18 –10¼	11⅝	152.2	1,769	2.20	5	1.62	13.9
932	672	May Dept Stores	−21.3	36 –18	25	29.1	728	3.82	7	1.54	6.2
933	843	American Elec Power	−21.4	25¾–15¼	16½	144.6	2,385	2.42	7	2.26	13.7
934	965	Fedl Natl Mortgage	−21.7	19⅝–11½	11¾	58.9	692	0.86	14	0.64	5.4
935	778	Kentucky Utilities	−21.7	25¼–15	16¼	12.5	203	1.62	10	2.12	13.0
936	834	Pac Gamble Robinson	−21.8	26⅝–16½	18¼	1.9	35	2.77	7	1.60	8.8
937	807	Central Illinois Lt	−21.8	19¾–12½	13	10.8	141	2.07	6	1.70	13.1
938	746	Beatrice Foods	−21.8	28½–16½	18⅜	97.3	1,787	2.86	6	1.30	7.1
939	1021	Fidelcor	−22.0	26 – 8⅞	14⅝	4.9	72	1.73	8	0.48	3.3
940	763	McDonald's	−22.5	66 –36¼	45¼	40.2	1,818	5.29	9	0.80	1.8
941	784	Va Electric & Power	−22.7	15¾– 9⅛	10⅝	98.9	1,051	1.66	6	1.40	13.2
942	984	Avery International	−22.9	29⅛–12¼	21	9.0	189	2.40	9	0.72	3.4
943	814	Ohio Edison	−23.1	21½–10¼	12⅞	67.1	865	1.56	8	1.76	13.7
944	912	Portland Genl Elec	−23.5	21¼–10¾	12⅝	35.7	451	1.24	10	1.70	13.5
945	894	Dow Chemical	−23.9	57¼–22	34⅞	182.5	6,365	4.17	8	1.60	4.6
946	946	Inland Steel	−23.9	58⅜–26⅞	31	20.9	648	1.02	30	2.00	6.5
947	942	Goldblatt Brothers	−24.0	6½– 2	2⅜	3.0	7	−4.05	def	none	0.0
948	846	Allegheny Power	−24.3	22⅝–12½	14	40.0	560	2.24	6	1.80	12.9
949	1027	Adolph Coors	−24.5	29½– 9½	19¼	35.0	674	2.02	10	0.30	1.6
950	1029	Franklin Mint	−24.8	36¾– 5⅛	19	8.4	160	2.41	8	0.56	2.9
951	1004	Walter E Heller Intl	−24.9	34 –14	20	11.8	235	3.59	6	1.30	6.5
952	847	Coca-Cola	−24.9	47⅝–28⅞	30⅞	123.6	3,815	3.36	9	2.16	7.0
953	973	National Steel	−26.0	52¼–25⅝	28⅛	19.0	533	4.71	6	2.00	7.1
954	944	Fisher Foods	−26.2	15½– 5⅝	7¾	6.3	49	0.47	16	0.40	5.2
955	857	Duquesne Light	−26.2	21¼–12⅛	13	39.7	516	1.86	7	1.80	13.8
956	908	Burlington Inds	−26.6	34 –14¾	20⅜	28.1	573	2.90	7	1.40	6.9
957	924	Wisconsin Elec Power	−26.7	32¾–19	21¼	19.3	411	3.66	6	2.52	11.9
958	922	International Paper	−26.8	79¾–30½	42¼	49.2	2,080	5.24	8	2.40	5.7
959	868	Public Service Indiana	−26.9	31⅞–17⅝	19¼	33.6	647	3.43	6	2.48	12.9
960	1018	Uniroyal	−27.0	11¼– 3⅛	5¾	26.6	153	−4.73	def	none	0.0
961	611	Collins & Aikman	−27.1	15⅛– 6¼	8¾	12.5	109	1.12	8	0.72	8.2
962	750	Royal Crown Cos	−27.2	23⅜–10⅝	12⅜	8.2	101	1.54	8	1.04	8.4
963	875	Champion Spark Plug	−27.4	14⅝– 7¾	8⅝	38.3	330	1.13	8	0.80	9.3
964	1007	Pabst Brewing	−27.5	34¾–10⅝	15½	8.2	127	1.37	11	0.40	2.6
965	957	Central & South West	−27.5	18⅛–11¼	12½	79.4	992	2.30	5	1.50	12.0
966	1024	Schering-Plough	−28.0	60¼–26¼	37⅞	53.1	2,010	4.58	8	1.60	4.2
967	960	Standard Brands	−28.3	40⅜–21¼	26	28.4	738	3.43	8	1.64	6.3
968	760	Hanna Mining	−28.5	60½–28⅜	32	8.9	285	5.14	6	2.00	6.3
969	736	UAL	−28.6	45¾–13½	20¼	29.5	598	−0.92	def	none	0.0
970	1010	Moore Corp	−29.7	50¾–23½	32⅞	28.0	921	3.77	9	1.64	5.0
971	996	Citicorp	−30.1	37⅝–17	20⅝	122.5	2,527	4.49	5	1.42	6.9
972	986	Eastman Kodak	−31.1	120¾–41⅛	73⅛	161.4	11,802	7.07	10	3.50	4.8
973	941	Lowe's Companies	−31.6	33⅝–13⅜	20¾	13.0	270	1.52	14	0.60	2.9
974	962	Chrysler	−32.1	22⅜– 5½	6⅞	67.0	460	−28.16	def	none	0.0
975	925	Safeway Stores	−32.3	50⅜–27½	30⅝	26.1	800	4.37	7	2.60	8.5

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.
‡Four-year price change because of spinoff of subsidiary in 1976. def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
80	79										
976	885	Dayton Power & Light	–32.4%	22⅜–12	12	27.0	$ 324	$1.89	6	$1.74	14.5%
977	961	Ralston Purina	–32.7	18¼– 9⅝	10⅝	107.9	1,147	1.51	7	0.64	6.0
978	929	Associated Dry Goods	–33.1	40 –15⅝	23	13.5	311	3.60	6	1.60	7.0
979	998	Food Fair	–33.3	7⅝– 1⅜	3	7.4	22	1.86	2	none	0.0
980	886	Toledo Edison	–33.9	27⅛–15¼	16⅛	20.0	323	2.53	6	2.20	13.6
981	900	Emery Air Freight	–34.2	28¾–12	15⅜	15.7	242	1.25	12	1.00	6.5
982	1001	Culbro	–34.6	23⅝– 6	9	3.2	29	–4.28	def	none	0.0
983	667	Westmoreland Coal	–34.6	65¼–17¾	26	6.8	177	–0.41	def	none	0.0
984	873	Ford Motor	–34.7	51⅞–21⅛	23	120.6	2,774	–10.55	def	1.20	5.2
985	882	Marshall Field	–34.8	35¼–12¾	15¼	10.3	156	1.47	10	1.24	8.1
986	914	ARA Services	–34.9	60⅝–24¾	31¼	12.2	380	5.33	6	1.94	6.2
987	902	Illinois Power	–35.1	28⅝–15¾	17⅜	33.3	578	2.95	6	2.38	13.7
988	781	Mercantile Stores	–35.2	64½–29⅝	34	5.9	200	6.22	5	1.50	4.4
989	896	CFS Continental	–35.5	18⅛– 6¼	10	5.3	53	1.60	6	0.40	4.0
990	872	Akzona	–35.7	25¾– 7¾	11½	12.2	141	0.80	14	0.80	7.0*
990	945	No Indiana Pub Svc	–35.7	21¼–10⅞	11½	40.6	467	1.47	8	1.50	13.0
992	745	Heublein	–36.4	59¼–22	29¾	21.3	635	3.74	8	1.82	6.1
993	889	Penn-Dixie Inds	–37.6	6½– 1¾	2½	5.3	13	–2.25	def	none	0.0
994	592	Bird & Son	–38.2	37⅛–15	17½	4.2	73	0.13	–	1.00	5.7
995	948	Commonwealth Edison	–38.4	32¾–17½	18⅝	97.4	1,815	2.53	7	2.60	14.0
996	1019	Keystone Consolidated	–38.6	22⅛– 7¼	10⅛	1.9	19	–5.81	def	none	0.0
997	509	Sheller-Globe	–38.7	15⅜– 4¾	6⅝	6.2	41	–0.85	def	0.30	4.5
998	1006	Armstrong World Inds	–39.2	32⅞–12⅜	14¾	24.7	365	1.96	8	1.10	7.5
999	732	Braniff Intl	–40.3	18⅝– 5¼	5⅜	20.0	108	–5.23	def	none	0.0
1000	968	Fleetwood Enterprises	–41.5	20⅜– 5⅛	8⅝	11.2	97	–1.01	def	0.52	6.0
1001	1030	Allied Supermarkets	–42.3	6 – ⅛	1⅞	5.2	10	0.40	5	none	0.0
1002	993	Oklahoma Gas & Elec	–43.3	23½–11½	12¾	30.5	388	1.56	8	1.60	12.5
1003	931	Burroughs	–43.6	108½–46¼	47¼	41.3	1,953	6.88	7	2.60	5.5
1004	935	Mohasco	–43.9	25 – 7	9⅛	6.6	60	0.50	18	none	0.0
1005	712	Olympia Brewing	–44.0	60¼–12¼	12⅞	2.6	33	1.22	11	0.90	7.0
1006	999	United States Steel	–44.3	59⅜–16¼	24⅛	87.5	2,111	–4.70	def	1.60	6.6
1007	907	K mart	–44.4	43¾–17⅜	18⅝	123.4	2,298	2.19	9	0.92	4.9
1008	930	Federated Dept Stores	–44.6	60 –21¼	29¼	48.4	1,416	5.38	5	1.80	6.2
1009	682	McLean Trucking	–44.7	28⅜– 7½	10⅛	5.6	57	–0.54	def	0.32	3.2
1010	992	Fed-Mart	–44.8	21 – 8	8	5.8	46	–2.10	def	none	0.0
1011	988	Colonial Penn Group	–45.9	38 –14¾	15½	16.1	250	3.75	4	1.40	9.0
1012	997	Warner-Lambert	–47.8	38½–17	19	79.7	1,513	1.90	10	1.32	6.9
1013	1023	Colgate-Palmolive	–48.3	31⅛–11	14⅞	81.9	1,218	1.40	11	1.12	7.5
1014	899	Great Atl & Pac Tea	–49.4	15⅝– 4⅜	5⅜	37.4	201	–1.58	def	none	0.0
1015	989	Sears Roebuck	–50.0	39⅝–14⅞	16⅛	315.3	5,085	1.76	9	1.36	8.4
1016	439	Kuhn's-Big K Stores	–50.6	10⅝– 3	3¼	2.6	8	–0.75	def	none	0.0
1017	688	Commonwealth Oil Rfg	–50.7	19⅜– 1	4⅜	15.0	66	–2.83	def	none	0.0
1018	1022	Jos Schlitz Brewing	–52.3	24 – 5	9⅛	29.1	265	–0.69	def	none	0.0
1019	1012	Yellow Freight System	–52.9	45¾–12	16½	14.2	234	1.37	12	0.76	4.6
1020	1017	Firestone	–54.5	26 – 6⅛	10⅛	57.7	584	–1.70	def	none	0.0
1021	1002	J C Penney	–55.4	60⅛–19⅝	22⅜	70.1	1,568	2.96	8	1.84	8.2
1022	937	Outboard Marine	–58.4	36½– 8⅞	11¾	8.4	98	0.28	42	0.70	6.0
1023	987	Sambo's Restaurants	–60.8	27 – 3½	5⅞	12.8	75	–3.38	def	none	0.0
1024	1020	McLouth Steel	–62.3	23¾– 5⅝	7⅛	5.5	39	–7.34	def	none	0.0
1025	1014	White Motor	–62.7	15⅜– 2⅜	2¾	9.4	26	–6.17	def	none	0.0
1026	1028	United Merch & Mfrs	–64.0	18⅛– 2½	5⅛	5.9	30	–4.79	def	none	0.0
1027	991	First Pennsylvania	–67.5	18⅞– 3⅞	4⅞	15.7	77	–7.66	def	none	0.0
1028	1011	General Public Utils	–75.0	21⅝– 3⅜	4¼	61.3	260	0.55	8	none	0.0
1029	1016	Massey-Ferguson	–76.5	32¼– 4⅞	4⅞	18.3	89	–7.58	def	none	0.0
†	391	American Financial		23⅝–19½	23⅝	8.7	205	1.99	12	0.50	2.1
†	93	Coastal Corp		44⅝–14¾	43¼	21.4	926	4.69	9	0.40	0.9
**	*	Cross & Trecker		38⅝– 9½	37⅝	12.4	466	2.70	14	0.64	1.7
**	*	CSX		46½–41⅛	45⅞	40.7	1,866	7.06	6	2.56	5.6
**	*	Dart & Kraft		45⅛–40⅛	42⅜	54.6	2,325	6.46	7	3.20	7.5
**	*	Federal Express		48¾– 6	46¼	18.3	844	2.05	23	none	0.0
**	*	First Natl Supermkts		14 – 3¾	6½	3.6	23	1.45	4	0.02	0.3
†	733	IU International		24⅞– 9⅝	22	18.4	404	5.99	4	1.10	5.0
†	63	MGM Grand Hotels		17⅜–12½	12⅞	32.5	419	1.05	12	0.44	3.4
**	*	Penn Central		41½–13⅞	39⅞	17.9	714	2.63	15	none	0.0
**	*	Toys "R" Us		35¼– 5⅜	29⅛	13.2	386	1.73	17	none	0.0
**	*	Valero Energy		41 –10⅛	39	22.3	869	1.85	21	0.20	0.5

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%. *Not ranked last year.
**Not ranked. †Recent price not comparable with historic price because of spinoff of subsidiary. def: deficit.

NOTE

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Cover 1, p. 2-3, 26, 69-73,

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HOW REAL ARE THOSE BLUE CHIP EARNINGS?

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February 2, 1981
Volume 127, Number 3

Sears Standard C
Union Carbide U
ogies Westinghou
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Eastman Kodak E
General Foods G

69 Cover Story: Watching their bottom lines more than their true cash flow, some of the bluest of blue chips are now in rough shape.

31 Caught between savagery from the left and right, U.S. foreign policy in El Salvador must steer a tough, unsentimental course.

35 It will take more than hope to put Jamaica's economy right, but at least there is now some reason to hope.

38 Reagan's troubles, heavy as they are, are nothing like the ones FDR waded into.

Features

Latin America: Left Hand, Right Hand In El Salvador
While the U.S.-backed junta is beating off the Marxist guerrillas, it is also pushing U.S.-sponsored "reforms" that are wrecking the economy. 31

Coffee: Uncle Santa Picks Up The Tab
When the coffee cartel took a hosing in the futures market, who rescued it from its greed and folly? 33

Companies: The Messy Case Of Sunshine Mining
Mixing silver, the Hunts and some sharp Arabs makes a stew the SEC is sniffing around. 34

The Caribbean: Short-Term Deliverance In Jamaica
Prime Minister Seaga's election victory marks a stirring triumph for democracy. But his Castro-leaning predecessors left him a desperately troubled economy. 35

Washington: Reagan's 100 Days?
They won't measure up to FDR's original ones. 38

Acquisitors: Down From Canada Like A Wolf On The Fold
Will the two parts of the Bronfman family compete in their hunt for U.S. acquisitions? Or cooperate? 42

Bonds: How To Sell Long-Term Bonds In Today's Market
Virginia Dwyer sold nearly $4 billion worth last year, and mostly 40-year bonds at that. Of course, it helps if you work for AT&T. 44

Bonds: The Bond Houses Agree With AT&T
Morgan Stanley predicts that "there'll be a large calendar of fixed-rate bonds over longer terms." How many? An increase of nearly $38 billion, says Salomon Brothers, nearly equaling last year's $40.5 billion record. 46

Companies: Monsanto's Light At The End Of The Tunnel
Jack Hanley says he is almost home in restoring Monsanto's profitability. But he admits that the job has been "more complicated and difficult" than he expected. 48

As I See It: Don Paarlberg On Food Costs
A famed farm economist says it would be stupid to try to hold food prices down by discouraging exports. 50

Amusements: Hunting Big Game The Easy Way
Want a trophy from a blackbuck antelope? It'll cost you about $900 at a Texas exotic game ranch, and you needn't even get out of the car to make the kill. 54

The Up-And-Comers: Postal Instant Press
How does a small printer get rich? By recognizing a good idea, and developing it, and learning how to franchise it, and doing a job with and for his franchisees. 56

The Streetwalker: The Oil Company Investors Forgot
Why should anyone be interested in Gulf, whose stock gained only 33% in a decade? Maybe you should. 60

As I See It: An Expert Says Protect The Auto Industry
William Abernathy, a Harvard Business School professor with an engineering and industry background, argues that we had better protect U.S. car producers against the Japanese or be prepared to lose our auto industry. 65

Cover Story: What Really Counts Is Cash Flow
The preoccupation with earnings figures and, more recently, balance sheets is outdated, as the histories of Penn Central and W.T. Grant suggest. SEC Chairman Harold Williams says if he had to choose between earnings data and cash flow data, he'd take the latter. Read why. 69

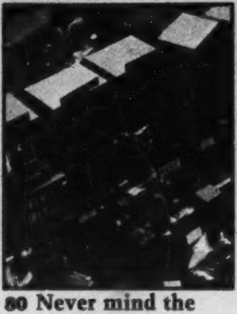
Wall Street: Suffering From A Granville Syndrome?
If a popular but undistinguished Florida stock tipster could throw the market into a turmoil, what could be the result of a really serious piece of bad news? Were the institutional buyers hanging back in the hope of picking up bargains? 80

The Funds: If You Don't Like Your Fund, Switch
Yes, there's a way to switch market strategies without being ruined by commissions. It's switching between funds managed by the same company. But it can cost. 82

Banking: Everybody Into The Pool
As the lines blur between financial institutions, lots of newcomers want in. Like industrial companies, which are making interesting overtures to small banks. 84

48 Jack Hanley never claimed he could give a quick fix to Monsanto. The huge outfit is clearly on the move now, but is it in the right direction?

65 As William J. Abernathy of the Harvard Business School sees it, U.S. automakers should get some protection.



80 Never mind the market's nervousness when a technical tout said "Sell," how would specialists behave in a real crisis?

84 Some aggressive newcomers, industrial companies, are elbowing their way into the banking business.

Companies: Government Employees Insurance Co.
On the brink of bankruptcy only five years ago, GEICO is flourishing again with Jack Byrne in charge. Counting paper clips and memo pads is only part of the discipline Byrne has imposed to be "the low-cost operator" in the business. 86

Companies: MCI Communications Corp.
MCI is discovering that there may be more money to be made from private long-distance telephone users than from commercial subscribers. 88

Companies: Rexnord, Inc.
In a tough time for capital goods producers, Rexnord looks impressive, thanks to timely moves to stay balanced. ..90

Statistical Spotlight: Tracking The Big Blocks
With 230 major institutions and 120 brokerage houses feeding data, AutEx Systems, a division of Xerox, tracks how much interest the big money managers have in buying or selling particular stocks. It's almost as good as peeking at a specialist's book. 103

Statistical Spotlight: The S&P's 500, Ex-Oil
Take the oil companies out of the S&P's 500 index and the market looks as if it ran out of gas. 107

Faces Behind The Figures

Boone Pickens, *Mesa Petroleum* 74
Arthur B. Laffer, *Economist* 74
Moya Olsen Lear, *LearAvia* 74
John J. Casey, *Braniff International* 76
Robert T. Blakely, *U.S. Synthetic Fuels Corp.* 76
Jerry Reinsdorf, *Balcor Co.* 79

Personal Affairs

In the second of a series on college costs, we report on the elaborate forms colleges have worked up to determine those who will get financial aid. We offer tips on how to steer through the maze. Also: alternatives to commuting by private car, skin care for men, and trends in cash recruiting bonuses. 91

Money And Investments

What's Ahead For Business?
The economic prospect as Ronald Reagan takes office is for pain and more pain. If this sets the stage for a resumption of *non*inflationary growth, the pain will be worthwhile. 25

The Forbes Index
Except for housing starts, there's no clear sign of a downturn yet in this measure of eight key indicators. 26

The Markets
We introduce the Forbes/Wilshire Index, which tracks listed shares and virtually all publicly owned stocks. It shows the market peaked in November. Note the "Sector returns" data, showing gains by consumer-related stocks. 99

Columnists

Ben Weberman 109
Heinz H. Biel 110
Richard B. Hoey 111
John Train 112
Martin T. Sosnoff 114
Stanley W. Angrist 116
Srully Blotnick 117
Ashby Bladen 118

Departments

Side Lines 6
Trends 10
Follow-Through 12
Readers Say 16
Fact and Comment....19
Other Comments 22
Editorial Index 120
Flashbacks 121
Thoughts....124

Photos: p. 31, Keler/Sygma; p. 32, Hoagland/Liaison; p. 34, Shelley Katz; p. 35, Marshall/Liaison; pp. 36, 37, Owen Franklin/Sygma; p. 38, Bettmann Archive; p. 43 top left, UPI; p. 43 top right, Canadian Press; p. 43 bottom, Wide World; p. 44, Ken Korsh; p. 48, T. Mike Fletcher; p. 52, Marianne Carter/Black Star; pp. 54, 76 bottom, Les Wollam; p. 56, Jim McHugh; p. 66, Jonathan Gall; p. 74 top, Jim Caccavo; p. 79 top, Patrick Pagnano; p. 79 bottom, Art Shay; pp. 80, 84, 94, Bill Kelly; pp. 86, 88, Leroy Woodson Jr.; p. 90, Jack Hamilton; p. 91, Photo Researchers

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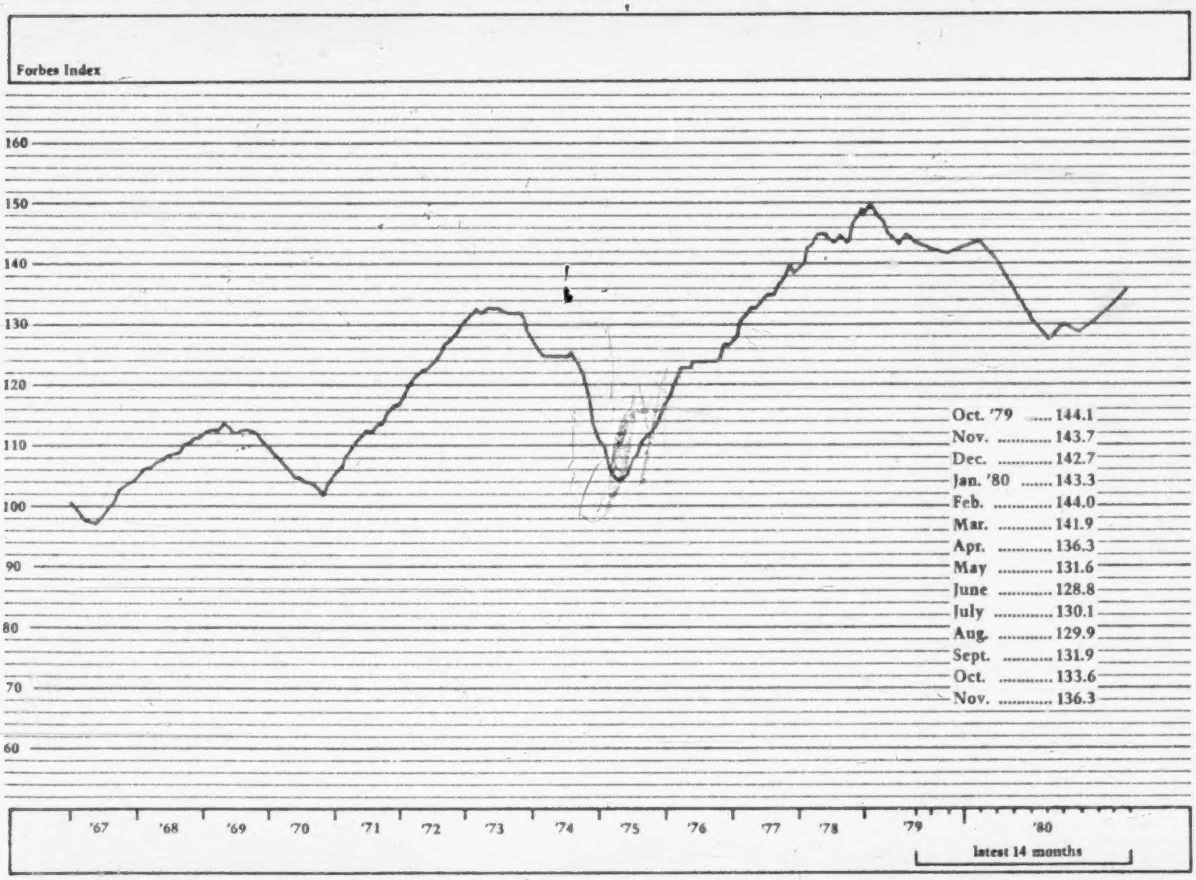
The Forbes Index



Oct. '79	144.1
Nov.	143.7
Dec.	142.7
Jan. '80	143.3
Feb.	144.0
Mar.	141.9
Apr.	136.3
May	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.3

The Forbes Index Components

If there's a double dip in the economy's future, it hasn't hit the Forbes Index yet. In the current reporting period, the only component to show a major decline is housing starts, which were off by nearly 30%. By contrast, other indicators, especially industrial production and retail sales, are currently showing healthy gains.

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

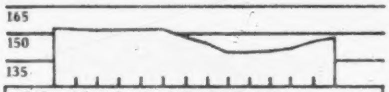
Total retail sales

New housing starts

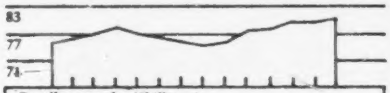
Personal income

The change in the amount of consumer installment debt outstanding

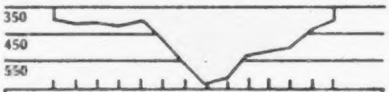
To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



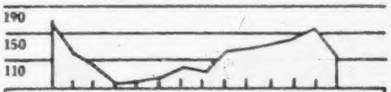
Industrial production index (1967=100)
seasonally adjusted (Federal Reserve)



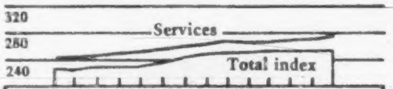
Retail store sales ($billions)
seasonally adjusted (Dept. of Commerce)



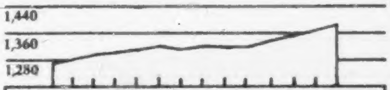
Unemployment claims (thousands)
seasonally adjusted (Dept. of Labor)



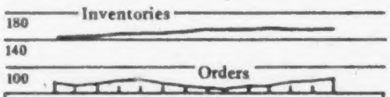
New housing starts (thousands)
privately owned, unadjusted (Dept. of Commerce)



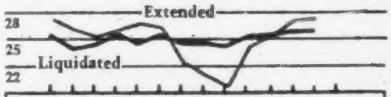
Consumer price indexes (1967=100)
all urban consumers, unadjusted (Dept. of Labor)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Manufacturers new orders and inventories
($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions)
total, seasonally adjusted (Federal Reserve)

Though my bottom line is black, I am flat upon my back,
My cash flows out and customers pay slow.
The growth of my receivables is almost unbelievable;
The result is certain—unremitting woe!
And I hear the banker utter an ominous low mutter,
"Watch cash flow."

—Herbert S. Bailey Jr., with apologies to Edgar Allan Poe's "The Raven"

Are more Chryslers in the offing?

By Richard Greene

WE'RE PROBABLY COMING TO AN END of what could be called "The Time of the Bottom Line." For a long time now most corporate attention has been focused on the profit-and-loss statement, on earnings per share. But a company can show very nice earnings per share and still go bankrupt. Penn Central is only one example. Chrysler Corp. showed a huge profit in 1976. A mask of profitability can easily be superimposed upon a mess of insolvency.

When the truth is suddenly forced on the public—as it was with W.T. Grant, Penn Central and Chrysler—investors naturally ask: Why couldn't we see this coming before it was upon us? With all the facts and figures churned out by these companies, where was the truth?

The answer is that it was there all along, in the form of cash flow information, but these numbers have been virtually hidden in the attic. Although many bankers, security analysts and company managements have been scrutinizing cash flow information for years, the investors have concentrated primarily on the seemingly all-important earnings per share figure. That's unfortunate. Cash flow analysis can show an investor what a company is really doing—where the cash is coming from and where it is going in inflation-adjusted terms. Most important, it's the only accurate indication of whether a company is growing or—as many of the FORBES 500 currently are—shrinking.

"It's an unfortunate situation that's developed in this country. We've been entirely too earnings-per-share conscious," says Tom Thorsen, chief financial officer of General Electric. "The ball game ultimately is generation of cash."

Harold Williams, chairman of the Securities & Exchange Commission, was even more emphatic: "If I had to make a forced choice between having earnings information and having cash flow information, today I would take the cash flow information."

The simple truth is this: In times of high inflation, earnings figures become less and less meaningful. Why? Mainly because inflation throws depreciation charges—and hence the earnings figures themselves—thoroughly out of line. As the cost of replacing plant and equipment soars in an inflated economy, depreciating historical cost produces less meaningful results, especially for capital-intensive companies.

If borrowing were less traumatic, the problem wouldn't be so painful. In the past, if a company didn't have sufficient internal cash flow it would simply go to the banks for a few million. But with the prime rate around 20%, borrowing money for growth is slow suicide. How many investments have a sure return of better than 20%? Anything less than that is a losing proposition.

Inflation isn't the only problem with earnings figures. Some companies, especially retailers like Sears and J.C. Penney, have millions of dollars in receivables that have been booked as revenues even though no cash came in. Unfortunately, they may not see any cash from those receivables for years. In a severe recession, as a large number of people default on their debts, they may not see the cash at all.

Other companies, like Borg-Warner, Teledyne and Sun Chemical, use another device. They book earnings from firms in which they have equity investments of between 20% and

50% (FORBES, *Mar. 31, 1980*). They never actually get that money. They never actually spend that money. All they do with it is report it. If you want to know how meaningless this is, try claiming as income the proportionate undistributed profits of companies you happen to own stock in. Your share, say, of IBM's undistributed profits, or General Electric's. A banker would throw you out, and with good reason. But companies do it and get away with it.

Even more significant, companies' depreciation schedules vary enormously. Although the trend is toward faster depreciation, there are still a fair number of firms that don't want to punish earnings that way. So, they keep their depreciation nice and slow and earnings nice and high. This is a perfect formula for earnings success if you don't mind rusting plants, inferior R&D and yesterday's technology.

All of this adds up to some rather jarring differences between the picture of a company as seen through earnings analysis and the status of a firm discovered through attention to cash flow.

Take a look, for example, at Dow Chemical and Union Carbide, two giant chemical companies. Over the four years from 1976 to 1979, Dow showed earnings totaling about $2.5 billion. Over the same period, Union Carbide reported cumulative earnings of some $1.8 billion. It would appear that both firms were robust moneymakers in the same league.

But take a step further and look at cash flow. Kidder, Peabody & Co. did this, and although Kidder's methodology is a bit controversial, the question is a matter of degree—not direction. Kidder came up with a number called discretionary cash flow. That's the figure representing how much money a firm has left to grow with—after taking out the amount necessary to maintain its property, plant and equipment and after dividends. Companies don't really set aside money to replace equipment, but ultimately they have to put out that cash—and it's not going toward growth.)

Dow's discretionary cash flow is at a healthy level, with $924 million over the four-year period. But Union Carbide has a different story: negative discretionary cash flow of $663 million. That means, according to Kidder, UC was paying dividends for that whole period of time with borrowed money. It was, in effect, cannibalizing its capital structure to keep the stock price up. That's not a healthy habit. But it's common among the kind of huge firms you'd think would know better. Kidder's list only begins with U.S. Steel, Bethlehem Steel, American Can, Goodyear and Inco.

Union Carbide's comptroller, Louis G. Peloubet, admits that the company was headed in the wrong direction, but claims it has done an about-face. "When I came here five years ago," he says, "the whole emphasis was on the profit-and-loss statement. We moved it from there to the balance sheet and now to cash flow. All our managers are looking at cash flow, both from a liquidity standpoint and from the point of view of capital investment. They didn't even have that information three years ago." True. In fact, Carbide has upped its capital spending 60% over the past three years.

How did big, supposedly well-run businesses ever let themselves get in this kind of a bind?

One of the reasons for ignoring cash flow is that everyone thinks it's something different. The term is used so often that its meaning has been blurred. But, from a technical standpoint, it is derived simply by subtracting the expense of doing business from the cash brought in. It does *not* take depreciation into account. That's because depreciation is only a paper transaction. You can charge off $10 million against your plant this year—but you still have that $10 million to spend anywhere you please.

Cash flow is not simply earnings plus depreciation, however. That's only half the story. Cash flow also takes into account changes in inventories, accounts receivable and accounts payable *(see box, p. 72)*. After all, when money is tied up in inventories, it can't be used to pay bills. So, when inventories go up, cash flow goes down. On the other hand, when a firm has fewer receivables and more payables, it has more cash. And vice versa.

That kind of information can be invaluable in providing early warning signals that something is going wrong in a company. According to James Largay and Clyde Stickney, accounting professors at Lehigh and Dartmouth universities, respectively, in some cases this information can practically hand you a crystal ball. They use W.T. Grant as an example. "The problems that brought Grant into bankruptcy and ultimately liquidation did not develop overnight," they write. "Whereas traditional ratio analysis of Grant's financial statements would not have revealed the existence of many of the company's problems until 1970 or 1971, careful analysis of its cash flows would have revealed impending doom as much as a decade before the collapse."

Hindsight is always 20-20, but the professors are persuasive. Grant's earnings held steady until 1973, when its stock was still selling for as high as 20 times earnings. But its cash flow from operations was in the red as far back as 1966, only surfacing into the black for two years out of the subsequent eight. The company ultimately choked to death on its inventories. Investors who saw that coming were able to get out in time.

Unfortunately, there is a misconception that cash flow need only be used to analyze borderline cases like Grant's. In fact, such analysis can lead to a fuller understanding of any company, no matter how successful or stable.

Look at Savin Corp., the $357 million copy machine manufacturer. Last year the company's earnings were down by $4 million, to $28 million. Only a 12% drop; not bad in a recession, right?

But Savin is a leader in providing cogent cash flow information, and last year that information was of particular interest. Although the red flags that pop up don't point to catastrophe at Savin, they do make the investor aware of potentially significant problems.

The first flag shows up in inventories: up $31 million from 1979. That's $31 million less the company has to spend than it had last year. The reason for the increase is unclear. Maybe sales are slowing and the firm is overproducing. It could even be a planned buildup for an expected surge in sales. The numbers themselves offer no explanation—but they send you hunting for one.

The next worrisome item is the increase in accounts and royalties receivable: up $34 million. The problem here is fairly clear. People are paying more slowly, preferring to use Savin's money rather than their own. Again, not a catastrophe, but the kind of thing that could really hurt a company if it continues.

Throw in some changes in payables, depreciation and deferred accounts and you come up with net cash flow from operations of $6 million, down from $30 million in 1979. That's a much bigger drop than the drop in reported earnings. Says the firm's senior vice president for finance, Daniel L. Gotthilf, "The question is what happens this year and next year—you can't judge cash flow by any single year or quarter."

Gotthilf is right. What's more, when you look a little farther down the cash flow statement you discover that the firm laid out $51 million for capital expenditures and $21 million for an acquisition. Those are good signs. This is not a company that is putting off investment because times are hard. Still, the problem of receivables and inventories cannot be ignored. Future quarterly reports will have to be carefully scrutinized to make sure the company is taking action.

Even General Electric, widely regarded as one of the best-managed companies around, only recently woke up to cash flow analysis.

According to GE's internally circulated bible on cash flow, written in 1976, "Up until a few years ago, cash planning in the General Electric Co. was pretty much of an unheard art be-

The awful truth

The extent to which major corporations are neglecting their plant and equipment, and paying dividends with cash they don't have, becomes painfully clear by looking at cash flow.

Kidder, Peabody & Co. recently calculated cash flow numbers for 20 of the 30 companies that make up the Dow Jones Industrial Average. Although many people think of cash flow as a simple addition of pretax earnings and depreciation, Kidder goes a giant step further. It recalculates the depreciation figure to take into account the ravages of inflation on historical depreciation schedules.

With this adjustment, 11 of the 20 companies came out of Kidder's computer with *negative* distributable cash flow for 1980. (That's the number showing how much money a firm really has control over, to spend on either growth or dividends.) On a cumulative basis for 1975 to 1979, 8 of these firms showed negative distributable cash flow.

You'd think that companies with negative distributable cash flow wouldn't continue giving dividends. Not so. In fact, the discretionary cash flow figure—distributable cash flow minus dividends—shows that 14 of these firms were paying dividends in 1980 with cash that, by Kidder's hard test, they do not have.

Some firms, of course, may be letting their plants run down deliberately—in effect, liquidating those assets—preparing to move into new, more lucrative businesses. But such decisions in specific cases hardly explain away the broadly negative results of Kidder's calculations.

	1980			1975-79 (cumulative total)			
Company	Net income (est.)	Distributable cash flow	Discretionary cash flow	Net income as reported	Distributable cash flow	Discretionary cash flow	Company
Alcoa	$ 445.0	$ 58.3	$ –57.7	$1,221.1	$ –185.4	$–493.9	Alcoa
American Brands	389.0	184.3	42.1	978.6	495.4	–29.1	American Brands
American Can	95.7	–165.7	–225.5	533.7	–141.6	–390.6	American Can
Bethlehem Steel	95.0	–399.2	–469.2	462.6	–1,660.8	–2,082.0	Bethlehem Steel
Du Pont	670.0	–35.3	–455.3	2,997.6	1,016.1	–517.0	Du Pont
General Electric	1,490.0	852.4	152.4	5,345.8	3,396.6	906.8	General Electric
General Foods	262.0[1]	133.8	23.9	985.1	146.5	–268.8	General Foods
General Motors	–880.0	–4,069.1	–4,947.1	13,894.1	5,393.5	–2,127.6	General Motors
Goodyear	169.0	–488.2	–581.3	861.7	–1,144.4	–1,445.3	Goodyear
Inco	200.0	–86.5	–166.5	646.3	–515.6	–986.6	Inco
IBM	3,500.0	5,390.6	3,390.6	13,229.3	19,500.5	11,972.1	IBM
International Harvester	–397.3[2]	–948.9	–1,030.9	1,085.1	–170.8	–475.1	International Harvester
Johns-Manville	73.2	–51.2	–119.2	430.6	46.5	–140.7	Johns-Manville
Merck	431.0	293.8	113.8	1,451.1	1,056.2	446.2	Merck
Owens-Illinois	127.3	2.8	–40.7	528.0	–16.7	–184.7	Owens-Illinois
Procter & Gamble	642.8[3]	319.5	38.4	2,285.5	1,455.2	425.4	Procter & Gamble
Sears, Roebuck	475.0[4]	–220.6	–649.6	3,786.6	1,272.5	–437.0	Sears, Roebuck
Union Carbide	885.3	–154.4	–360.4	2,158.5	30.8	–819.6	Union Carbide
US Steel	353.0	–1,333.7	–1,472.7	673.4	–4,883.1	–6,622.6	US Steel
United Technologies	390.0	96.4	–79.6	1,030.6	694.1	264.5	United Technologies

Note: All dollar figures in millions. [1] Year ending March 1981. [2] As reported, year ending October 1980. [3] As reported, year ending June 1980. [4] Year ending January 1981.

Source: Kidder, Peabody & Co. Financial Quality Profiles cause we had a very favorable cash situation. As a result, little long-term planning was done in the company other than in the treasury. We, of course, went through the exercise each year of developing figures for the long-range budget. However, most of the figures were based on some overall predetermined ratio to sales and we never really got into in-depth cash planning."

As a result, the document continued: "GE Co.'s liquidity has declined to a level that could impair its triple-A bond rating."

In 1976 GE launched a massive program in which every corporate officer was forced to pay close attention to every element of cash flow: depreciation, receivables, payables and inventories—everything.

The program has been a smashing success, with the company keeping well over $1 billion in cash that otherwise would have been sitting unproductive in such items as inventories and receivables. When money is wasted like that, it sends a company to the debt market. That's no fun.

But if cash flow is so internally vital to companies—and so externally valuable to investors—why don't we get the information in annual reports? The closest thing we have now is the statement of changes in financial position. But that focuses on an almost meaningless item: working capital. Working capital is of so little use to investors that many accountants have fought to have the statement completely redesigned.

The Financial Accounting Standards Board has recently issued an impressive discussion memorandum on cash flow and liquidity that addresses many of these problems. As a discussion draft it makes no proposals, but rather suggests possibilities for disclosure to investors. Still, the FASB's message is clear: Cash flow information is necessary. Unfortunately, as with all FASB projects, it could be several years before we'll see this reflected in annual reports. But the demand for the information may be irresistible. A recent FASB survey of 415 executives, analysts and academics revealed that 67% thought cash flow information was "highly important"—while no more than 49% said the same thing about earnings per share.

As a first step, the SEC has required that 1980 annual reports include a discussion by management of any unusual cash flow problems, and of the steps being taken to remedy them. As for the possibility of anything more concrete in the near future, Williams pointed out the problems the SEC had getting disclosure of inflation-adjusted earnings numbers. "The corporate community didn't like it because they wouldn't look as good, and the accountants didn't like it because it wasn't measurable and might get them into areas that they were uncomfortable with. I expect that the problems will be similar."

The truth is we are simply relearning lessons of the past. "The Romans only knew about cash flow," says Fred Tepperman of Arthur Young & Co. "But then we got sophisticated, learned about accrual and forgot about cash." He's not knocking accrual, he's only saying it's not the same as cash. (One of our more colorful captains of industry puts it slightly differently. "There are," he quips, "two kinds of money, cash and the other kind. I'll take cash every time.")

According to Loyd Heath, a professor of accounting at the University of Washington and the author of a much-praised 1978 monograph on liquidity, "In the early part of this century, accountants were very concerned with cash flow—with the needs of short-term creditors. But beginning in the 1930s, with the passage of the Securities Acts, the accountants began to shift their attention away from this. There was a sort of backlash. They didn't want to be dictated to by the commercial banks or short-term creditors. They had found a new interest in earnings. And they not only de-emphasized cash flow, but they seemed to completely ignore it.

"It's not that cash flow is new to accountants," says Heath.

Cash flow made easy

How do you figure out cash flow information for a nonfinancial company using today's annual reports? Here's one simple but effective way:

Start with the annual report's statement of changes in financial position. There, hidden near the top, you'll find a line labeled something like "working capital provided by operations."

Unfortunately, that working capital figure doesn't take into account any changes in receivables, payables or inventories—all of which affect cash flow. So you've got to throw them in yourself. Look further down on the financial position statement for a section called "changes in working capital." If receivables or inventories have *decreased* from the preceding year—thus freeing up more cash—*add* the amount they've changed to the working capital number. If they've *increased*, that means less cash, and you *subtract* the change from working capital.

With accounts payable, things work just the other way around. More payables means the company is holding on to more cash. So add any increase in payables, or subtract any decrease. You're almost home now, with a figure called "cash flow from operations."

What does this number tell you? Well, for one thing, any dramatic change in receivables, payables or inventories is worth looking into. For another, check to see how the cash flow from operations figure has moved in relation to income and working capital over the past few years. If cash flow has consistently been much lower than either, get ready to call your broker—there may be trouble.

Now comes the interesting part: figuring out where that money is going, or where it *should* be going. There are three possibilities. The company could be using the money to grow, to maintain the status quo or to pay dividends.

To get an estimate of how much the company should be spending just to keep current operations going, try the back of the annual report in the section with inflation-adjusted results. There you'll find a depreciation figure adjusted for the current cost of replacing the company's assets. Of course, companies don't just keep replacing what they've got: They let old businesses die out, or improve them with technology changes that save money or switch businesses altogether. One thing's for sure, though: The depreciation figure the company uses on its income statement is a hopeless understatement, and in the absence of more information the inflation-adjusted number is your best bet.

Subtracting the new depreciation figure from operating cash flow yields distributable cash flow—the amount the company has in hand to pay dividends or invest in real growth. If distributable cash flow is negative, there's cause to worry. There's also reason to raise an eyebrow if distributable cash flow is positive and the company pays more than that in dividends. It's nice to be generous to investors, but not by liquidating your company.

Of course a firm can always try to make up for a cash flow shortage by borrowing. But except in a high-return industry like electronics, do you really want to invest in a company that's financing growth with 20% money?

Remember that cash flow analysis is most useful if you go back and look at several years running. Any company can have negative cash flow for a year or two without permanent damage, and capital investment problems don't develop overnight. Nevertheless, enough companies have been caught napping in the last decade to make anyone a little jumpy.—Thomas Baker

"They should have seen it all along, but they were blinded because they thought the measurement of earnings was the beginning and the end, the alpha and omega of accounting."

But you can't ignore the rain when it's pouring through your roof, and the destructive inflation of recent years has forced accountants to take note. However, on their way to presenting some kind of unified cash flow information, they have run into a crucial question: How do you determine how much money a company needs to maintain its plant and equipment, without any growth? You need to answer this question before you can come up with a distributable (or "free") cash flow figure—the figure that tells you how much money the company *really* has control over to spend on dividends or growth.

This is a slippery one. Companies are constantly expanding and contracting operations in response to market conditions. What's more, new technology can slash a company's cost of upgrading its assets. So pinning down the exact point at which maintenance—or need for maintenance—ends and growth begins can be nearly impossible.

The FASB offers one solution in its Statement 33, which adjusts earnings for inflation. They recalculate depreciation using replacement costs rather than historical costs. That's probably the best figure at the disposal of the average investor.

However, Barre Littel and Robert Levine, the analysts who developed Kidder, Peabody's cash flow system, argue that the FASB numbers can understate the amount it costs to keep plant and equipment up to snuff. Here's why: Let's say a firm has two factories. One is depreciated at $1 million a year. The other is fully depreciated. The company needs both plants to continue in business. Under the FASB's system, the plant depreciated at $1 million a year would be assigned a new depreciation figure to account for inflation. However, the plant that was fully off the books could stay off the books. Kidder's analysts say that plant, too, should be assigned a new depreciation figure. It makes sense. It's precisely those old, fully depreciated plants that are most in need of replacement—at a cost much greater than their historical costs.

The numbers Kidder has come up with make much of U.S. industry look shaky *(see table, p. 71)*. While some critics argue that Kidder has gone too far and made things look worse than they are, even if Kidder is near the truth, that's reason to examine your investment portfolio carefully.

When you see companies like GM, Sears, International Harvester and Du Pont with negative cash flows, it's time to reevaluate the way you look at all companies. Especially with the market turning back to blue chips, the time is now for investors to look at these cash flow figures.

Emphasizing earnings while ignoring cash flow actually rewards companies for putting off needed capital investment. The smaller the depreciation charge, the higher the earnings. In turn, higher earnings produce better stock prices. Finally, the stock price is often reflected in a fatter paycheck for the CEO. Is that one important reason for the notoriously low level of capital spending in the U.S.? CEOs are only human.

Of course, total reliance on cash flow information could be equally dangerous. Any capital investment turns cash into plant and hurts cash flow in the short term. Cash flow figures are only valuable when looked at over a number of quarters or years. As Bryan Carsberg, an FASB expert on cash flow, says, "Asking which one is better, cash flow or earnings, is like asking which you should cut out, your heart or your lungs."

Ideally, investors will start looking at—and annuals will start showing—earnings information and cash flow information side by side. The earnings information will show how well the company is doing at making money. The cash flow information will show how real that money is.

A vice president of a major international bank wrinkles his forehead and strokes his jaw as he says, "Sure, cash flow information will be here in a relatively few years. What worries me is how many companies will have gone under by then." ■

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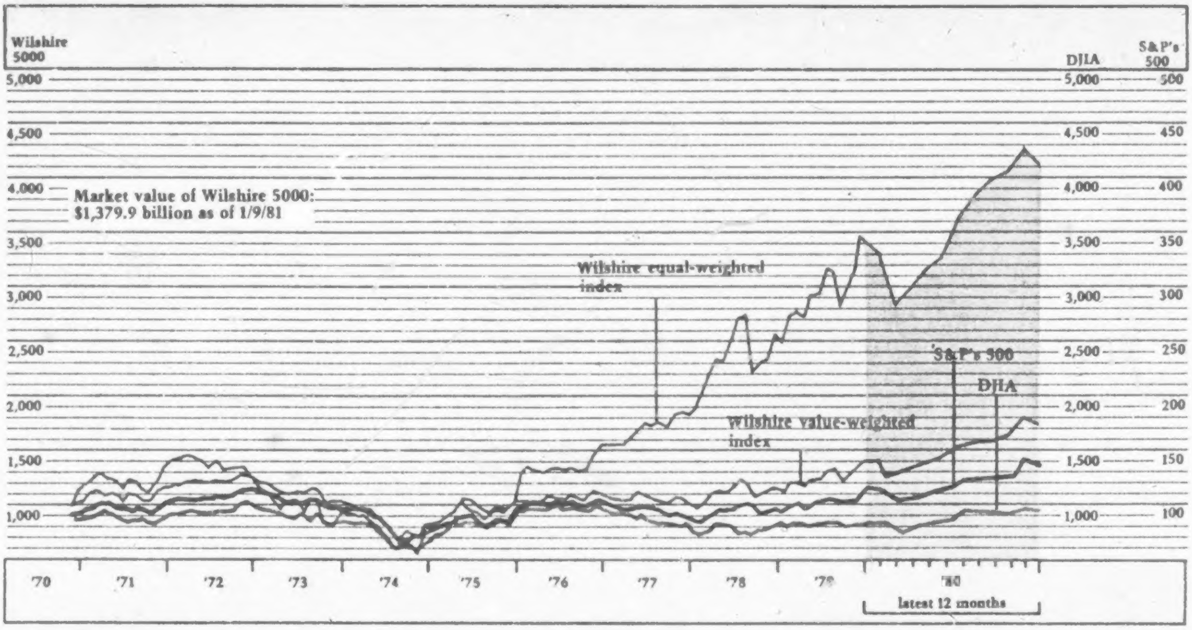
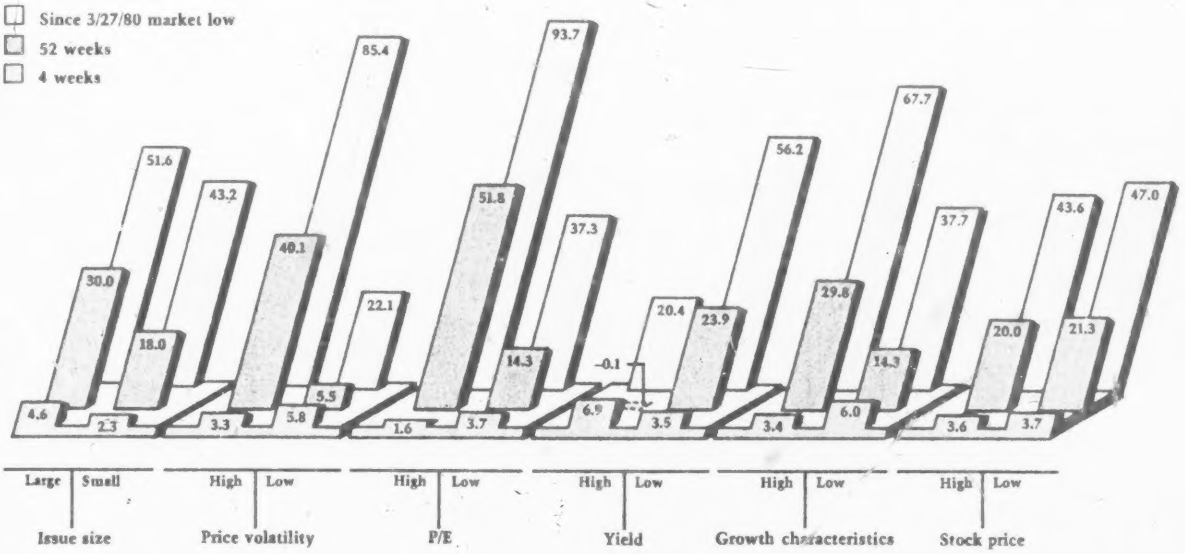
The Forbes/Wilshire 5000 Market Review



Market Focus

Not surprisingly, these charts minimize the importance of Wall Street's early January gyrations. Like most broad indicators, the Forbes/Wilshire Index peaked in November. "What happened at the beginning of the year was more a last fling for the Dow than a fundamental show of market strength or weakness," says Smith Barney's timing strategist Allan Shaw. "People are pulling gains out of oil stocks, and they need a place for their money." As the Focus figures make clear, the momentary winners are low-P/E, low-growth companies—holdings that missed the spectacular 1980 rise. Their gains might merely mean that skittish investors are parking funds where risk is least. On the other hand, they may instead be a healthy signal of leadership from a new sector.

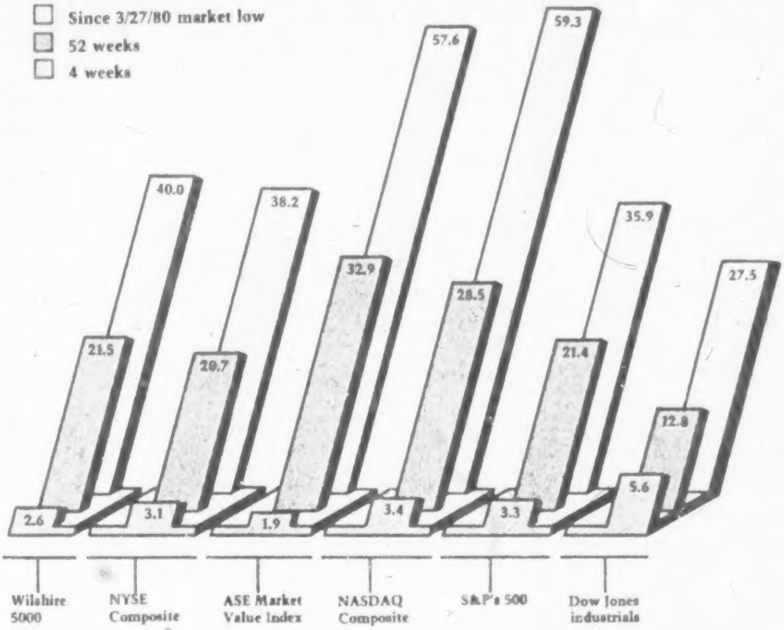
Percent change of equal-weighted price indexes for periods ending 1/9/81 (dividends excluded)



Market Returns

These Market Return results may surprise readers who lost big early in January. For the trailing four-week period, all indexes are up smartly, and the Dow leads the pack. The energy-dominated Amex showed the slimmest gain—another mark of profit-taking in last year's winners—though it still sports the best annual performance with an overall 33% increase. As the Wilshire numbers show, the broad market is up more than 20% in 12 months. These figures, however, are capital-weighted, and were influenced less by scores of pace-setting small companies than a few lackluster big ones. A dartboard investor would probably have done even better.

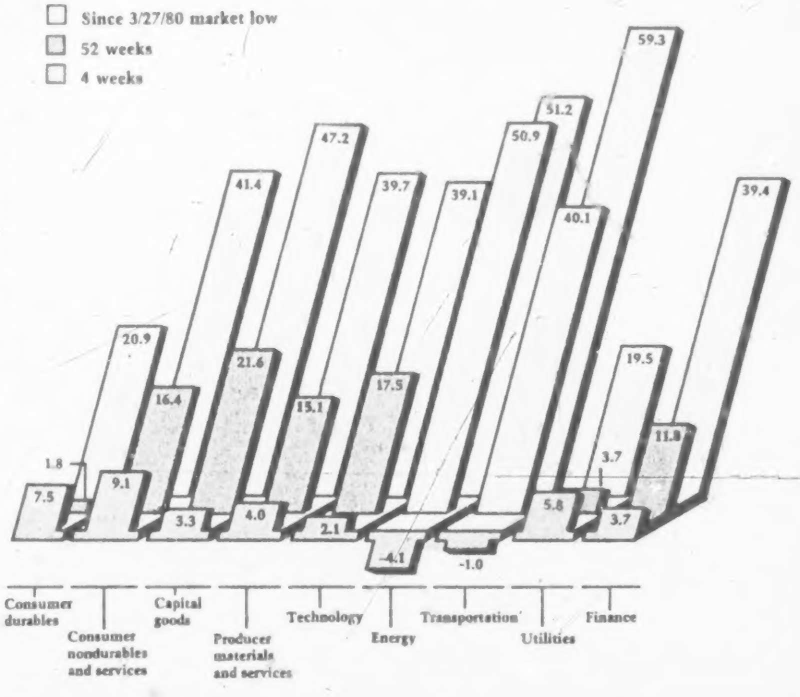
Percent change of price indexes for periods ending 1/9/81 (dividends excluded)



Sector Returns

If the market is searching for new leadership, the Sector Return charts show clearly where it might be found. In the past four weeks, stocks in consumer-related companies scored impressive gains. Nondurable producers like Procter & Gamble and Sears, Roebuck, in fact, posted average price increases of over 9% and durables companies did nearly as well. Interest-sensitive utilities zoomed ahead, too, in response to the anticipated peak in the cost of money. This is a clear reversal of previous trends. Stocks that did well last year, such as energy issues, are faring poorly now; stocks that lagged the 1980 averages are now setting the pace.

Percent change of value-weighted price indexes for periods ending 1/9/81 (dividends excluded)



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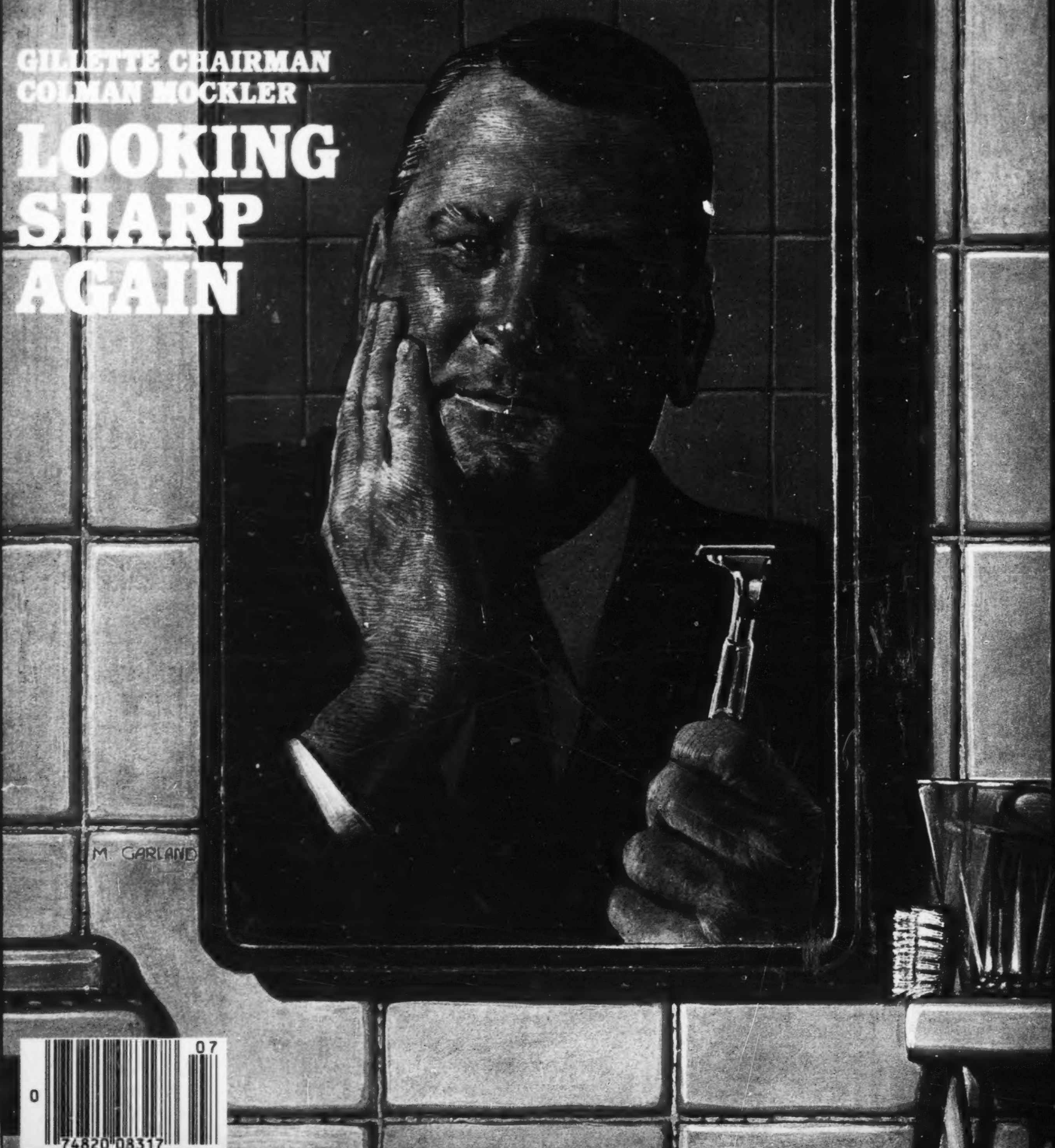
COLMAN MOCKLER

LOOKING SHARP AGAIN



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Forbes

February 16, 1981
Volume 127, Number 4

88 Cover Story: Is Gillette's turnaround for real? Most of Wall Street sits firmly on the fence, but the more you look at it, the more real it looks.

36 Bethlehem Steel: The same dream steelmen are always dreaming.

43 Looking for a Reagan rebound? Don't count on it, says economist Roger Nightingale.

47 In a shrinking garment business, a booming submarket.

Features

The Economy: Is A Crunch Inevitable?
Demand for credit from all quarters—government, household and corporate—is immense. The Reagan Administration is backing away from an engineered crisis. The trick will be to avoid blundering into one. 31

Companies: Exxon Enterprises
So far, Qyx and Qwip are not so quick. 33

Transportation: If They Can Put A Man On The Moon . . .
Grumman Corp., which helped to do just that, can't seem to build a troublefree bus for American cities. General Motors is having its problems, too. But if U.S. companies can't, foreign companies are willing—and almost ready. 34

Companies: Bethlehem Steel
There are two ways of looking at the second-largest steel company—the way it is now, which is pretty dismal, or the way some people think it could be in a decade, which is pretty spectacular. 36

Government: Ford's "$23 Million" Discrimination Tab
It makes a nice story in the newspaper. But read the fine print. 38

As I See It: Britain's Roger Nightingale
The influential economist at London's big brokerage firm Hoare Govett Ltd. suggests that Britain's economic prospects are far rosier than the current statistics would indicate, and the U.S. outlook far bleaker. 43

Apparel: Tailoring The Corporate Woman
While the men's suit business is stuck in the doldrums, women's suits are the fastest-growing apparel products category. 47

The Numbers Game: A Little Matter Of 5%
The Young Accountants would probably bomb as a prime-time series, but some network executives seem to find accounting absolutely fascinating. 52

The Numbers Game: In Defense Of Thor
The publishers say last year's Thor Power Tool decision by the U.S. Supreme Court is the first step toward book burning. Is it? 54

Transportation: The Environmentalists Strike Again
The same laws that have held back development of coal in the U.S. are hindering construction of ports to ship it to a booming export market. 57

Companies: Bell & Howell
Is it really about to become a hot growth company again? Not quite yet. 65

The Streetwalker: White Sale On Retailing Stocks
There are some bargains—if you shop carefully. 66

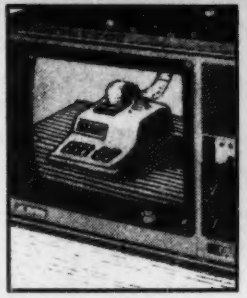
Companies: Food Town Stores
Ralph Ketner's slogan is "LFPINC/SC/VA." What does it mean? Well, of course, it means "Lowest food prices in North Carolina, South Carolina and Virginia." Whether they really are or not, Ralph Ketner's customers think they are, and that counts for a great deal. 69

Companies: Amstar
No one who knows its history could accuse it of being impetuous. Now, however, it has an opportunity to diversify it dare not pass up. 70

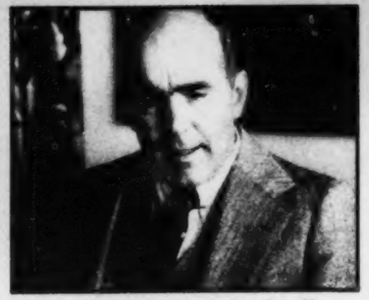
Companies: Dean Foods Co.
Why does this little Chicago-based dairy products manufacturer rank up in profitability so high? One reason is that the FTC seems to frighten Borden, Kraft and Beatrice more than it frightens Dean Foods. 75

Profile: Daniel R. Huber
The 44-year-old commodities expert who directs giant Cargill's grain-hedging operations is not trying to make a killing, but to keep Cargill from getting hurt. Being a "singles hitter" has its good points. The best: "Home-run hitters strike out a lot." 76

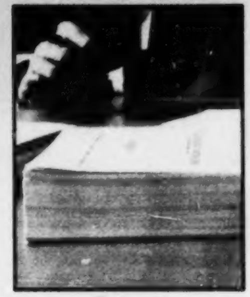
Companies: Central Telephone & Utilities Corp.
Bob Reuss turned this quiet Midwest company into the fastest-growing and most profitable major independent telephone company in the U.S. by recognizing that the industry was headed for turmoil. 80



52 A true-life docudrama in ABC's accounting department.



90 The bureaucrats have finally realized the importance of venture capital. Characteristically, though, they want to direct it themselves.



94 A couple of mavericks in the life insurance business that may have been made for each other.

2571
2114
2153
2760
2403
BIG!

99 Keeping ahead in one of the U.S.' fastest-growing industries.

Cover Story: The Patient Honing Of Gillette
King Gillette's creation used to be the bluest of the blue chips, the company all the M.B.A.s came to study. Then it became complacent, and then overextended. After five years of earnings stagnation, is it about to become a blue chip worth buying again? 83

Venture Capital: City Hall Gets Interested
What are Alaska, California, Connecticut, Massachusetts and the City of Buffalo doing in venture capital? Losing their taxpayers' money, most likely. 90

Companies: Capital Holding Corp.
A marriage hardly made in heaven. But it may work. ...94

Companies: Avnet, Inc.
Back in the Fifties, Tony Hamilton saw the semiconductor age coming. He also saw why the distribution end of it was a good place to be. 99

The Up-And-Comers: Global Marine
Russ Luigs' little company was long on guts and short on cash in 1977 when he made a decision that so far has turned out to be brilliant. 103

Faces Behind The Figures

David T. Kearns, *Xerox* 106
Robert Layton, *Berlin Economic Development Corp.* 106
Earl Old Person, *Blackfeet Indian Writing Co.* 106
Victor Lownes, *Playboy Clubs International* 110
Edward L. Palmer, *Citicorp* 110
Edward G. Boehne, *Federal Reserve Bank of Philadelphia* . 110

Personal Affairs

In the last of a series on the costs of higher education, here's some good news: how to borrow up to $5,500 a year at 9% interest. Also, making backseat airline travel bearable, franchising, "hot" rocks and insurance. 111

Money And Investments

What's Ahead For Business?
The conventional wisdom is that the first half of 1981 will be down, the second half up. Here's why you should ignore the conventional wisdom. 25

The Forbes Index
Any light at the end of the tunnel? Not much, says this measure of eight key economic indicators. 26

The Forbes/Wilshire Index
Where's the market heading? In a word, south. 119

Statistical Spotlight: Of Bonds And Spinoffs
Some deeply discounted, but top-grade corporate bonds; and why spinoffs can be terrific investments—with some likely candidates. 139

Columnists

Ben Weberman 123
Heinz H. Biel 124
Ann C. Brown 125
David Dreman 128
John Train 132
Srully Blotnick 134
Ashby Bladen 136
Stanley W. Angrist 138

Departments

Side Lines 6
Trends 8
Follow-Through 12
Readers Say 14
Fact and Comment....19
Other Comments 22
Editorial Index 142
Flashbacks 143
Thoughts....144

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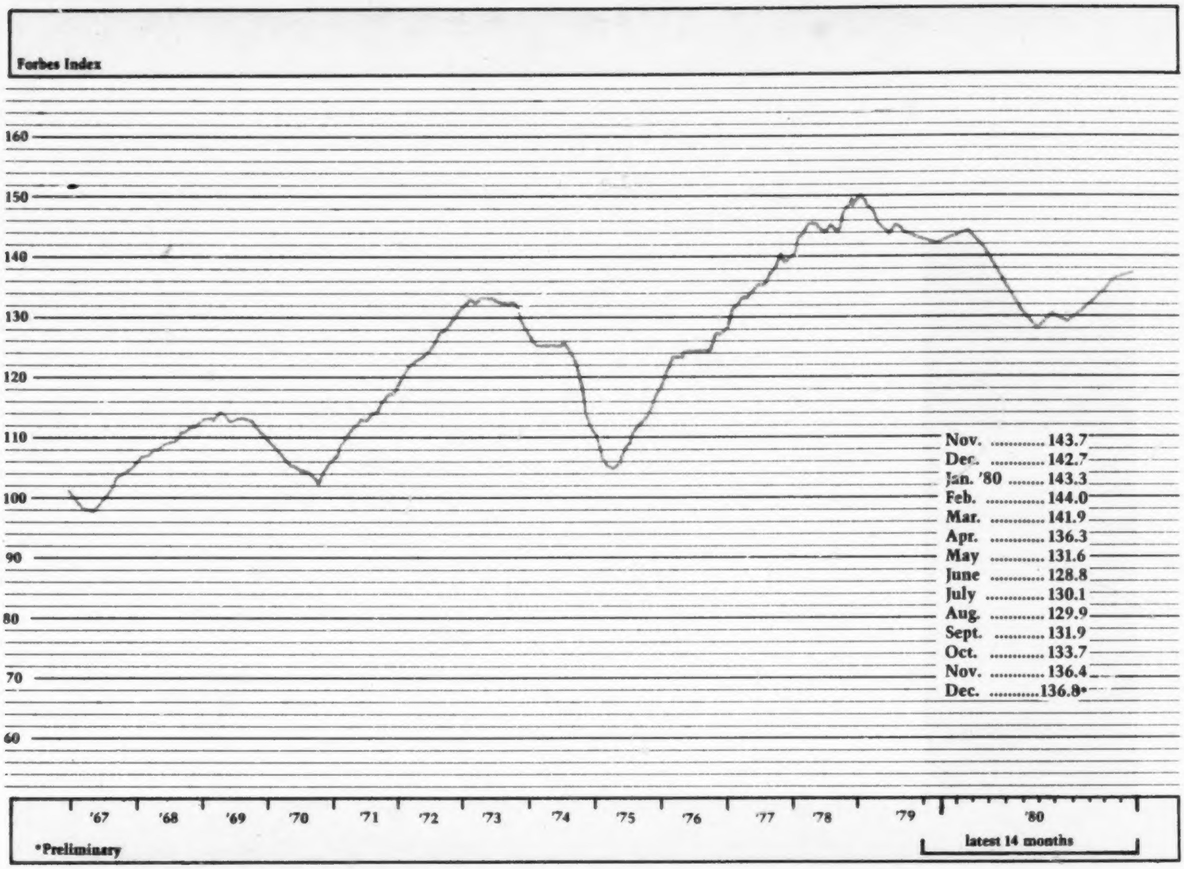
The Forbes Index



Nov.	143.7
Dec.	142.7
Jan. '80	143.3
Feb.	144.0
Mar.	141.9
Apr.	136.3
May	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.7
Nov.	136.4
Dec.	136.8*

*Preliminary

The Forbes Index Components

The economy is still heading up—but the pace is clearly slowing. In the current reporting period, gains in industrial production and personal income were well below previous levels. Retail sales, on the other hand, are actually falling. The December figures were off sharply. Housing starts are in the doldrums, too—back to the dismal numbers of last spring.

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

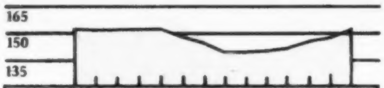
Total retail sales

New housing starts

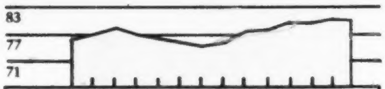
Personal income

The change in the amount of consumer installment debt outstanding

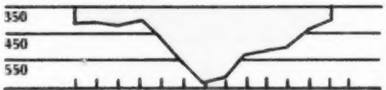
To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



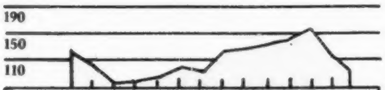
Industrial production index (1967=100) seasonally adjusted (Federal Reserve)



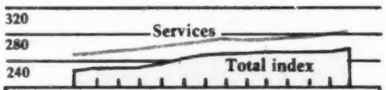
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)



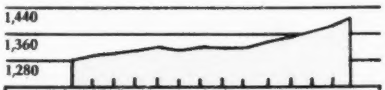
Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)



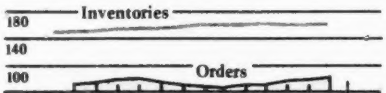
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)



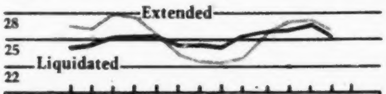
Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)

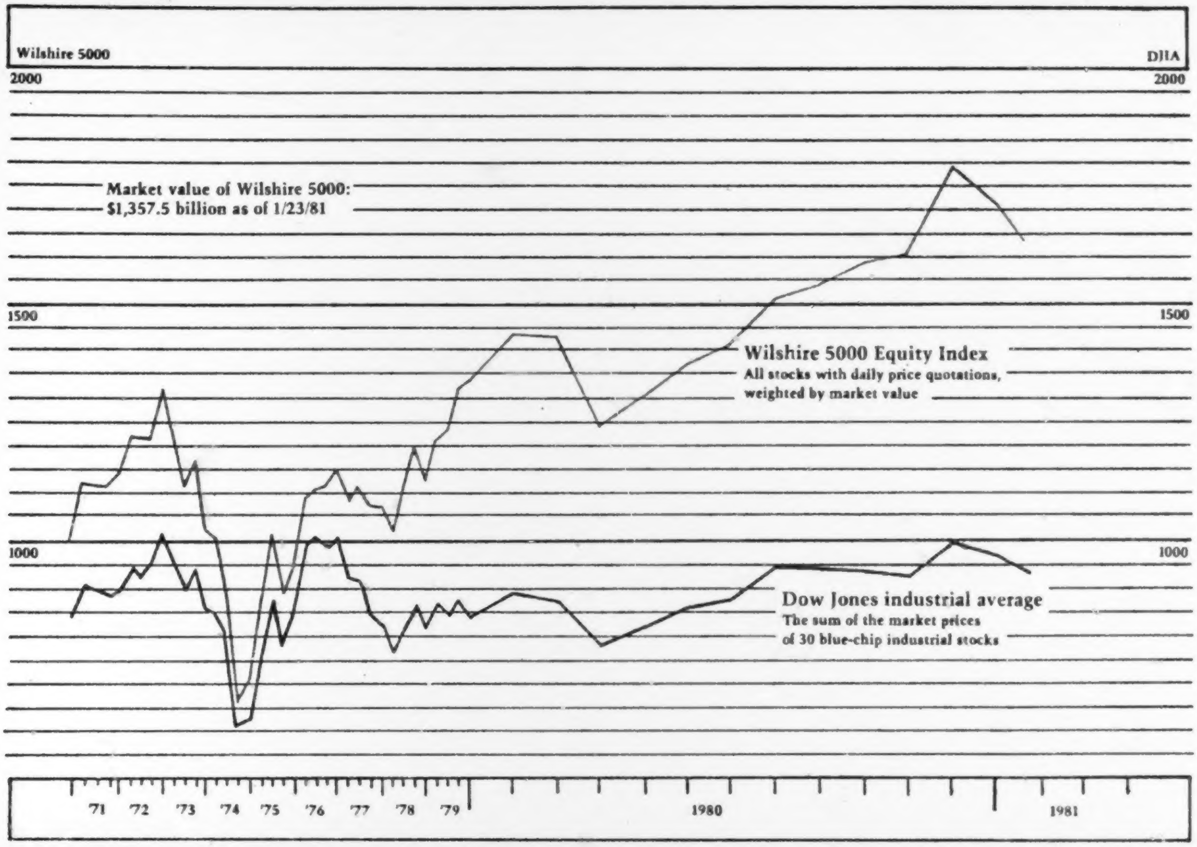


Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

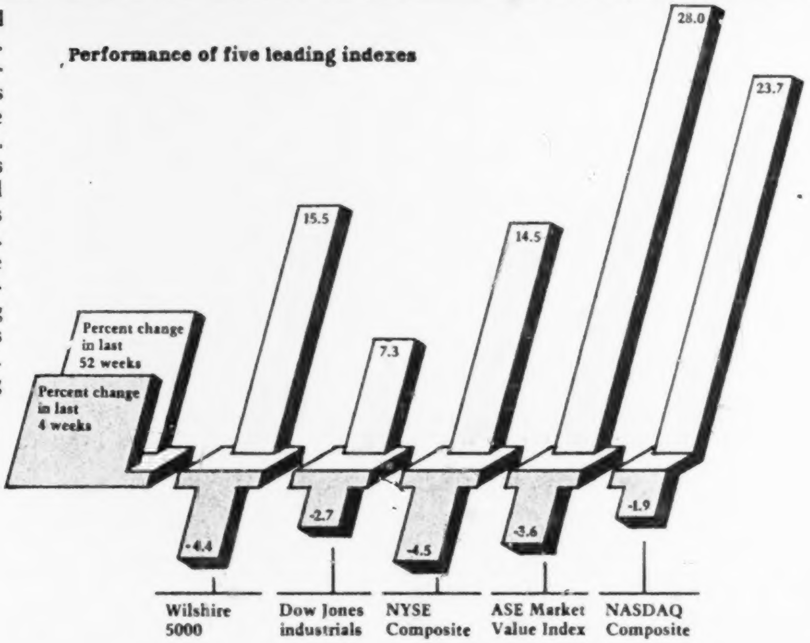
The Forbes/Wilshire 5000 Review



Close-up On The Equity Markets

This reporting period wasn't a good one for any of the indexes we follow. What's more—as the graph above indicates—the broad-based Wilshire has trended down more steeply than the Dow since November's market highs. Despite that 97-year-old indicator's imperfect measurement of overall stock performance, this time there's no silver lining behind its clouds. Look hard, however, and there may be some cheery news among all the negative numbers: The once-high-flying NASDAQ is weathering Wall Street's midwinter chill surprisingly well. Could that be a harbinger of a strong spring for over-the-counter shares?

Performance of five leading indexes

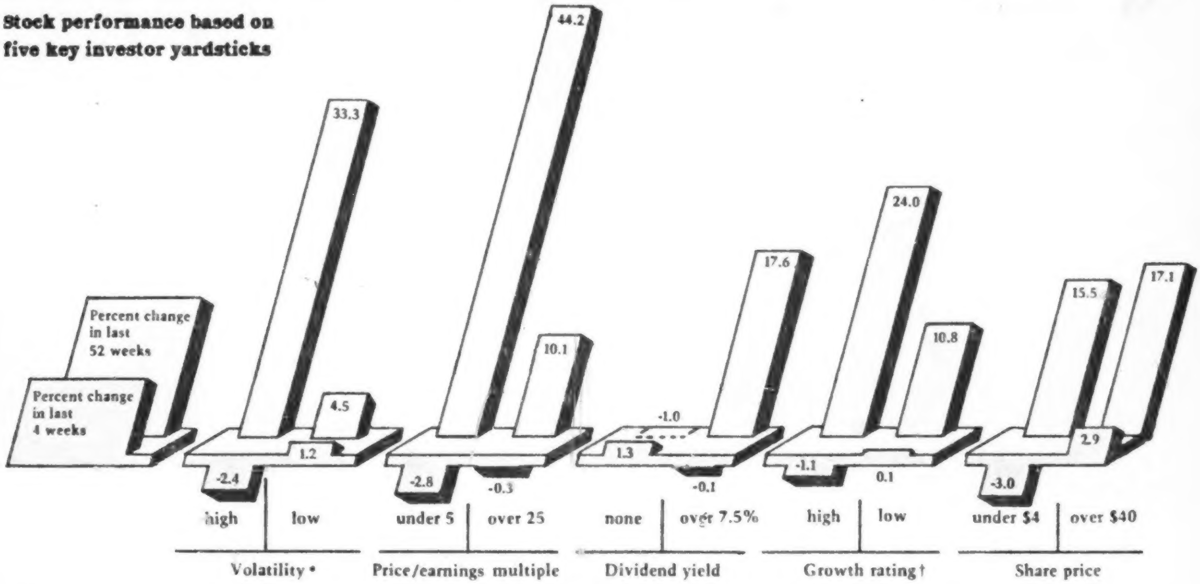


Note: All data for periods ending 1/23/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

The market is still correcting last year's excesses. Low P/E issues and other stocks that sport huge 52-week gains are now posting the sharpest four-week declines. What's more, the search for new leadership is still on. The few equity groups that increased in value during the current reporting period, such as low volatility, high-priced shares, moved up only marginally— giving no real hint of what kinds of investments should do well in 1981.

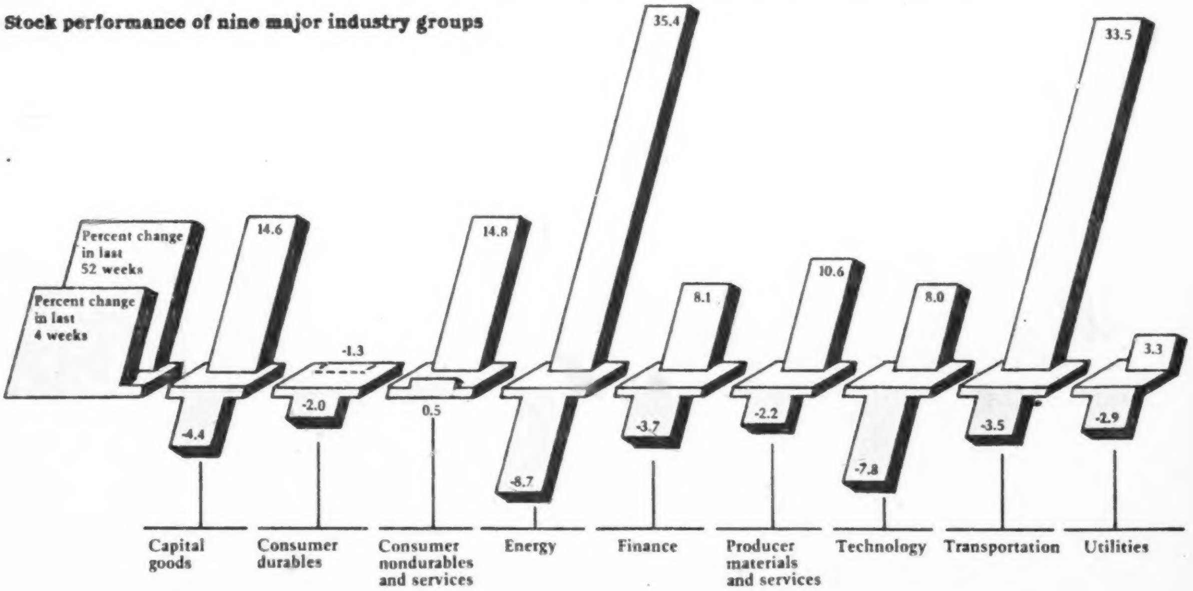
Stock performance based on five key investor yardsticks



* A stock's sensitivity to overall market movement. High volatility issues have wide price fluctuations; low volatility issues are more stable.
† An evaluation of a stock's earnings growth based on a Wilshire Associates mathematical model.

The overriding trend here is the continuing decline in energy stocks, now nearly matched by technology-related companies. The latter's four-week decline comes close to offsetting the preceding 52-week gain. One inkling of future strength is the current relatively good showing of consumer-related issues. These stocks missed last year's boom—and some Wall Street professionals think they may benefit first when the economy begins to recover.

Stock performance of nine major industry groups



Note: All data for periods ending 1/23/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Statistical Spotlight

Many deeply discounted, top-grade corporate bonds now offer high yields and a shot at large, long-term capital gains.

Good and cheap

By Steve Kichen

ARE YOU AN OPTIMIST who thinks interest rates have finally peaked? Do you believe Reagan will be able to cut government spending and taxes without triggering another, even more severe bout of inflation? Then you may find top-grade, deeply discounted corporate bonds awfully tempting.

Jim Kochan, vice president, fixed income research, Merrill Lynch, is one optimist. "There are signs the economy is weakening and a significant decline in short-term rates is in the making. We're looking for positive proof of a significant slowing in monetary growth."

When deeply discounted AA and AAA bonds provide yields to maturity in the teens only the more venturesome need dabble with riskier lower-quality bonds.

Take the AAA New York Telephone bond maturing in 1989. Back in 1954, when this bond was issued, its 3% coupon was right in line with the market. With today's prime hovering close to 20% and inflation in double-digits, the market has discounted the bond to $538. So the $30-a-year (or 3%) interest on the $1,000 face value represents a current yield of 5.6% on the market price of $538. The yield to maturity on the bond is only 11.5%, but as the bond appreciation is taxed as a capital gain rather than ordinary income, it's worth more to those in the high tax brackets.

The real appeal of deeply discounted bonds is their response to interest rates. When rates decline, they appreciate more than others. With a 1% decline in yield, for example, a 7½% coupon 2011 Ohio Bell Telephone bond would appreciate from $594 to $645, a gain of $51, or 8.6%. A 12⅝% coupon 2020 Ohio Bell would appreciate from $936 to $1,010—a gain of $74, or 7.9%. If the bonds were bought on margin, the appreciation spread would be greater.

Some well-known economists have recently issued forecasts for higher, not lower, rates over the short term. However, some decline in interest rates seems likely at some point before the end of the decade. To dispute the possibility that a significant dip in interest rates could occur would be to write off all prospect of economic recovery for the next nine years. With declining interest rates, today's deeply discounted bonds could be sold before maturity with fairly decent capital gain.

Most of the bonds in the table are closer to their 52-week lows than highs. While most bond bulls don't anticipate a replay of spring 1980, when the market soared as interest rates collapsed, many feel a significant bond rally is in the offing. As any pessimist would be quick to note, there are no guarantees, and taking a margin plunge into deep-discount bonds could be courting a margin call if rates climb. If the optimists are right, these bargains may not last.

High-quality bonds at bargain prices

The table below contains 45 AA and AAA corporate bonds "bargain priced" at less than $645. Since many companies have several discounted bond issues, we selected only one or two representative bonds—mostly those with the greatest discount or greatest price change over the last 52 weeks. Each bond also has at least $50 million outstanding.

Company[1]	Coupon %	Maturity	S&P's rating	Recent price	Current yield	52-week price range	% change from low to high	Interest coverage
American Cyanamid	7⅜%	2001	AA	$620	11.9%	$770-563	37%	3.68
American Tel & Tel	3⅞	1990	AAA	570	6.8	764-523	46	2.89
Bell Telephone of Pennsylvania	7⅛	2012	AAA	585	12.2	759-520	46	2.98
Beneficial Corp	8.4	2007	AA	628	13.4	784-580	35	1.32
Caterpillar Tractor	5.3	1992	AA	600	8.8	710-535	33	4.42
Chesapeake & Potomac Tel, Va	7¼	2012	AAA	563	12.9	715-540	32	3.05
Chesapeake & Potomac Tel, DC	7¾	2013	AAA	601	12.9	958-550	74	3.34
Chesapeake & Potomac Tel, W Va	7¼	2013	AAA	551	13.2	710-511	39	2.83
Cleveland Electric Illumination	8⅜	2011	AA	615	13.6	780-570	37	2.63
Corn Products (CPC Intl)	5¾	1992	AA	558	10.3	700-523	34	4.72
Exxon	6	1997	AAA	599	10.0	725-535	36	9.33
General Electric	5.3	1992	AAA	616	8.6	720-560	29	6.56
General Motors Acceptance	8	2007	AAA	630	12.7	809-561	44	1.10
Household Finance	8½	2001	AA	634	13.4	828-574	44	1.23
Illinois Bell Telephone	7⅝	2006	AAA	638	12.0	800-551	45	3.10
Manufacturers-Hanover	8⅛	2007	AAA	621	13.1	810-576	41	1.08
Michigan Bell Telephone	7¾	2011	AAA	610	12.7	780-400	95	2.87
Mobil Oil (Mobil Corp)	7⅜	2001	AAA	620	11.9	800-581	38	5.37
Mountain States Tel & Tel	8	2017	AAA	628	12.7	804-561	43	2.77
New Jersey Bell Telephone	7⅜	2012	AAA	581	12.7	770-533	44	3.89

[1] "Company" refers to name of issuer. If name has been changed or a different company controls the bond, that name appears in parentheses after company name.

[2] Bond traded on the American Stock Exchange. All other bonds traded on the New York Stock Exchange.

Sources: The Media General Financial Weekly; *Standard & Poor's; FORBES.*

Company[1]	Coupon %	Maturity	S&P's rating	Recent price	Current yield	52-week price range	% change from low to high	Interest coverage
New York Telephone	7⅜%	2011	AAA	$591	12.5%	$749-516	45%	3.05
New York Telephone	3	1989	AAA	538	5.6	640-506	26	3.05
Northwestern Bell	7½	2005	AAA	615	12.2	756-538	41	3.31
Ohio Bell Telephone Co	7½	2011	AAA	594	12.8	750-531	41	3.30
Pacific Gas & Electric	8½	2009	AA	640	13.3	825-554	49	2.69
Phillips Petroleum	7⅝	2001	AA	641	11.9	806-610	32	10.23
Public Service of Indiana	7	2002	AA	580	12.1	700-481	46	3.48
Sears, Roebuck	6⅜	1993	AA	630	10.1	765-534	43	1.85
Shell Oil	5.3	1992	AA	575	9.2	710-536	32	9.31
Sinclair Oil (Atlantic Richfield)	4.6	1988	AA	610	7.5	719-594	21	4.48
Socony Mobil Oil (Mobil Corp)	4¼	1993	AAA	558	7.6	614-470	31	8.56
South Central Bell Tel	7⅜	2007	AAA	620	11.9	740-535	38	3.01
Southern Bell Tel & Tel	7⅝	2013	AAA	606	12.6	788-544	45	3.26
Southern California Edison[2]	8¼	2002	AA	616	13.4	773-550	41	2.94
Southern New England Tel	8⅛	2008	AA	620	13.1	780-565	38	2.65
Southern Railway (NWS Enterprises)	5	1994	AA	550	9.1	610-520	17	3.35
Southwestern Bell Telephone	6⅞	2011	AAA	580	11.9	738-518	42	2.66
Standard Oil of California	5¾	1992	AAA	621	9.3	751-531	41	12.44
Standard Oil, Indiana	6	1998	AAA	561	10.7	720-515	40	7.22
Texaco	5¾	1997	AA	580	9.9	680-515	32	6.25
Union Oil of California	6⅝	1998	AA	560	11.8	731-550	33	6.05
US Gypsum Co	7⅞	2004	AA	605	13.0	850-543	57	10.46
United Technologies	4½	1992	AA	500	9.0	575-440	31	3.47
Utah Power & Light	8¼	2007	AA	615	13.4	800-590	36	2.14
Wisconsin Telephone Co	8	2014	AAA	635	12.6	824-556	48	3.21

[1] "Company" refers to name of issuer. If name has been changed or a different company controls the bond, that name appears in parentheses after company name.
[2] Bond traded on the American Stock Exchange. All other bonds traded on the New York Stock Exchange.

Sources: The Media General Financial Weekly; *Standard & Poor's; Forbes.*

Spinning off a subsidiary can often produce tasty profits for lucky stockholders.

Investing in deconglomerates

By Maurice Barnfather and Steve Kichen

CHAIRMAN VINCENT BELL of $100 million (sales) Safeguard Business Systems puts it like this: "The spinoff gave us a sense of our own destiny, visibility as a public vehicle. It lifted morale." Last year's spinoff of SBS (FORBES, *Nov. 26, 1979*) by the then $135 million (sales) Safeguard Industries did something else according to Bell: "Our value to shareholders increased. They could see our success, measure it clearly and buy stock in it."

No one can argue with that; $1,000 invested in Safeguard Business Systems last March would now be worth $1,323. Most other spinoffs during the past decade have had an even more wallet-warming effect *(see table)*. There have been dogs, of course: the recent spinoff of ailing Interstate Motor Freight by Fuqua Industries, for example. WICOR is up only 6.4% since its spinoff in June 1975. But on the 20-stock list where the parent spun off all but perhaps a few percent of the stock in each case, there's an impressive 285% average gain.

The spinoff idea is not new. Spinoffs occur when a parent company sets up one of its subsidiaries as a separate entity and distributes shares in it to existing shareholders of the parent. Back in 1968 FORBES reviewed 15 years of spinoffs. We revisited the subject Mar. 19, 1979. The message each time: Shares of spunoff companies rise significantly faster than those of the parent. That's to be expected since spinoffs are usually candidates for divestiture because they're growing faster than their parent.

The number of spinoffs is almost certain to increase. "The 1980s will be the 'deconglomerating' era," says Oppenheimer & Co., Inc. Executive Vice President Nathan Gantcher.

If the proposed spinoff is so profitable, why hand it to someone else? Spinoffs show the sum of the parts to be worth more than the whole. Managers are usually shareholders too. Gantcher: "If you've got a piece of paper worth $20, you could have two pieces worth $40 after a spinoff."

There are other reasons to divest, of course. A company might want to concentrate on other parts of its business that may be larger but not as profitable. Says Oppenheimer's Ellen Greenspan: "Jewels can be small relative to the rest of a parent company's business." Margins at Mead Corp.'s Mead Data Control, for example, are higher than the parent's, but total sales of Data Control are less than 1% of Mead's sales.

Says John A. Wilson, chairman, president and CEO of Color Tile, which was spun off in 1979 by Tandycrafts, itself spun off from Tandy Corp., in 1975: "Getting businesses down to pure-play operations is better for management and stockholders. Concentrate on the growth company and everyone does better." Color Tile's shares are up almost 60% since the spinoff.

Tandycrafts' Chairman and President G.R. Nugent agrees: "We weren't growing much. But once our cash cow Color Tile was spun off, we took a look and fixed up what was left. We might never have seen it otherwise." Fortunately he did. Since 1975 a share of Tandycrafts is up 269%, after two subsequent spinoffs.

Another winner, spun off by Gearhart Industries, is Pengo Industries, up 288% since 1978. Says President and Chairman Harold Owen: "We're doing better since the spinoff largely because of acquisitions, which is something we could do only as an independent."

That, says Oppenheimer's Arthur Ainsberg, is crucial: "If your stock is 4 times earnings and you get spun off as a division growing 25% a year and take a 15 multiple in The Street, it's much easier to acquire for stock."

Not everybody, however, is a winner in the spinoff game. For one thing, not all announced spinoffs take place. If you bought General Tire & Rubber in 1976 at $25 awaiting divestiture of then $230 million (sales) RKO General, you would still be waiting and nursing a 16% loss.

On balance, however, the record suggests that investing in new spinoffs has a better-than-even chance of success. In the second table are some companies that may be contemplating spinoffs. But if the number of spinoffs increases sharply as expected, so will the risks as the bad begin sneaking to market under cover of the good.

Spinoff superstars

Had you invested $1,000 in each of these 20 companies at the time they were spun off, your portfolio would now be worth over $77,000—a 285% increase.

Spunoff company (Parent)	Spinoff date	—Market price— spinoff date	recent	Recent value of $1,000 invested in spinoff	% change
Safeguard Business Sys (Safeguard Ind)	3/04/80	24	31¾	$ 1,323	32.3%
Valero (Coastal Corp)	12/31/79	11	33½	3,045	204.5
Mesa Royalty Tr (Mesa Petrol)	11/19/79	30¼	37½	1,240	24.0
Leasco (Reliance Group)	5/14/79	14¼	40	2,807	180.7
Color Tile (Tandycrafts)	4/09/79	11¾	18½	1,574	57.4
Pengo Ind (Gearhart Ind)	6/20/78	6¼	24¼	3,880	288.0
Cole Consumer Prod (Cole Natl)	3/23/78	3½	11¼[1]	3,214	221.4
Lanier Business Prod (Oxford Ind)	7/01/77	11¾	36⅝	3,117	211.7
Cronus Ind (Tyler Corp)	4/15/77	3½	5¾	1,643	64.3
Scriptomatic (Refac Tech Develop)	1/03/77	3	16¼[2]	5,417	441.7
Consol Fibres (Browning-Ferris Ind)	10/18/76	2⅝	10⅜	3,952	295.2
American Credit (Wachovia)	7/01/76	14⅛	50 [3]	3,540	254.0
Stafford Lowdon (Tandycrafts)	5/14/76	6¾	26¾[4]	3,963	296.3
Tandycrafts (Tandy Corp)	11/28/75	14⅛	52⅛[5]	3,690	269.0
Tandy Brands (Tandy Corp)	11/28/75	2½	22⅜	8,950	795.0
WICOR (American Natural Resources)	7/14/75	17½	18⅝	1,064	6.4
Northwest Energy (El Paso Co)	5/01/74	5⅜	27	5,023	402.3
United Energy Resources (Pennzoil)	4/16/74	3	44	14,667	1,366.7
Louisiana Pacific (Georgia Pacific)	1/19/73	11⅞	24¼	2,042	104.2
Viacom Intl (CBS)	6/04/71	18¼	52⅝	2,884	188.4

[1] Acquired by Shelter Resources for $11.25 per share. [2] Acquired by British Electric for $16.25 per share. [3] Acquired by Barclays Bank International for $50 per share. [4] Acquired by American Standard for $26.75 per share. [5] Recent price of Tandycrafts includes value of 1.00 share of Color Tile and 0.25 share of Stafford Lowdon, which were both spun off.

Sources: "The Sum of the Parts," *Oppenheimer & Co; FORBES.*

Spinoff possibilities?

If the stock market loves energy and high-technology stocks, then perhaps it will love spinoffs in those two industries, too. Here are nine companies with subsidiaries in these hot industries that are separate from the parent company's main product line. Sales and earnings figures for the subsidiaries are mostly estimates because only a few of the companies would release actual figures.

Company possible spinoff	Principal business	Recent price	Price/ earnings ratio	——Latest 12 months—— sales (millions)	earnings (millions)	earnings per share
Cabot Corp	**chemicals, energy, engineered products**	28⅞	5.9	$1,404	$153	$4.88
energy group	explor, dev and prod of oil and gas			399	52	1.64
Control Data	**computer equipment and services**	65	8.4	2,670	132	7.77
Service Bureau Corp	computer services			230	13	1.73
WR Grace	**chems, natural resources, consumer prods**	53¾	8.9	5,873	282	6.07
natural resources division	oil and gas			690	108	2.31
Mead Corp	**paper products**	25⅞	5.1	2,647	135	5.10
Mead Data Central	electronic information services			20	7	0.27
Mountain Fuel Supply	**natural gas utility**	44½	10.2	391	32	4.38
Wexpro	oil and gas explor and prod			50	11	1.46
Norlin	**musical instruments, beer, electronics**	14¼	NM	275	d2	d0.80
technology group	electronics			58	4	4.78
Quaker Oats	**food processing**	30⅝	6.8	2,473	95	4.48
Fisher-Price Toys	toys			380	34	1.68
Warner Communications	**movies, records, television programs**	37⅜	9.5	1,873	218	3.95
Atari, Inc	electronic games and microcomputers			400	48	0.87
Westburne Intl Industries	**plumbing equipment, energy**	22¼	5.1	918	34	4.40
Westburne Petroleum Serv	oil and gas drill and explor, oil field equip			183	12	1.75

d: deficit. NM: not meaningful.

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Cover 1, p. 2-3, 30, 90-94,

119-120, 140-141.

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Forbes

FOOD SUPPLY

WILL HELP FROM SCIENCE COME IN TIME?

Forbes

March 2, 1981
Volume 127, Number 5

80 Cover Story: Just as the spectacular increases in U.S. farm productivity are starting to level off, here come the genetic engineers.

37 Decatur, Ala.'s Rusty Jones: Battling the union at the grass roots.

50 Alcan Aluminium: What makes the difference is all that lovely water.

70 General Mills: Its second try at diversification has been a lot more satisfying than the first.

Features

U.S. Industry: Copper Colonialism
When the third-largest American copper producer has to job out refining to the Japanese, we're all in trouble. 35

Government: Is There Anything Good About Inflation?
No, but there is this inescapable political fact: If it doesn't continue for a while, Ronald Reagan won't get his spending cuts through Congress. 36

Labor Unions: Beating The UAW
You've heard of Norma Rae? Meet Rusty Jones, her opposite number in more ways than one. 37

Companies: Northrop's High Roller
There's a universal rule in the aerospace business that you get the orders before you build the prototype, and you never spend your own money if you can avoid it. But Tom Jones is building a new version of the F-5 fighter entirely on company money, without a single order on the books, and with no intention of building a prototype at all. 38

Companies: General Foods' Caffeine Habit
Diversifying into the meat business may not be the right way to break it. 40

Labor Unions: The Three-Beer Lunch?
Blue-collar workers discover executive perks. 41

Spinoffs: One More Time With Louis Nicastro
Once again, his answer to the problems of a troubled company is to spin off its most profitable division. 42

Companies: Du Pont's Polish Joke
The joke, however, is on Du Pont. 46

Promoters: The Return Of Steven West
Like a Beethoven symphony or Chagall stained glass, the style of Steven West is indelible and inimitable. He's living proof that Americans will give almost anyone a chance, no matter how little he deserves it. 47

Companies: Alcan's Star Brightens
The sign of the Water Bearer in the Age of Aquarius. 50

Companies: Inco's Ace In The Hole
It's sulfide nickel ore, lying deep under the ground in northern Ontario. Because of it, the long-time leader of the nickel industry is in a position to come back. And its new CEO, who has taken his lumps, too, may at last be in for a run of good luck. 54

Companies: Hewlett-Packard—Still The One To Watch
A superb counterpuncher keeps to its tradition—and departs from it. 60

Communications: The $69 Newspaper
That's what Leonard Andrews' readers pay *per copy*. 63

Printing: Wall Street's Best Friend
All those prospectuses and 13Ds have to be *printed*, usually in such a hurry that cost is a secondary factor. Which is why a financial printer that can do the job racks up margins double those of some general-purpose operations. 64

The Numbers Game: A Noose Or A Tourniquet?
Either way, the Multiemployer Pension Plan Amendment Act looks to be a bloody affair. 66

Companies: Patience Pays Off For General Mills
Sometimes things work the second time around. 70

Capital Markets: Put Away The Worry Beads
Will Big Oil crowd everyone but the government out of the debt market? Don't believe it. 72

Railroads: The Mouse And The Elephant
The elephant is mighty $1.6 billion Missouri Pacific, which shares crossing rights with the tiny, $24 million, Tex Mex Railroad on the International Bridge at Laredo, where $5 billion worth of exports roll from the U.S. into Mexico every year. But it's the mouse that carries the lion's share. 77

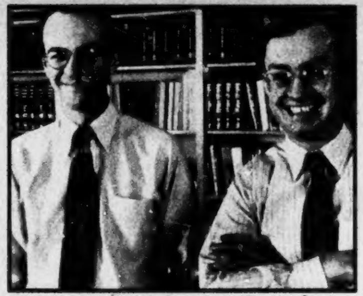
Companies: Curtice-Burns And Its Tax-Exempt Twin
Who's using whom? It works so well nobody worries. 78

Companies: Mitchell Energy's Shrewd Visionary
When George Mitchell started pouring his oil and gas money into a model community, his fellow Houston wildcatters thought he was bent on destruction. Nobody's laughing now. 84

77 Andres R. Ramos of Tex Mex: Running a railroad like a personal business.

98 Sturm, Ruger's: Can you insulate a company from the 20th century?

101 "I came along before women's lib," says Madelon Talley, who manages one of the largest pension funds in the nation. "When Gloria Steinem started talking, I was ready."


141 Tweedy, Browne's Tweedy and Browne: You don't have to date the glamour girls.

Cover Story: The Second Green Revolution
What will be the great growth industry of the Eighties? It may well be agriculture—thanks to the gene-splicers and DNA wizards of modern bioengineering, who are bringing their miracles to the American farm. 90

The Up-And-Comers: Sturm, Ruger
Like his profitable firearms company, Bill Ruger may be the last of a dying breed. 98

As I See It: Karl H. Vesper
We may be losing our technological edge, but not our entrepreneurial edge, says this venture capital expert. 100

The Money Men: Madelon Talley and Kenneth Siebel
Two Horatio Alger stories, a continent apart. 101

Banks: You Can't Argue With Success
The lobby of New York's Republic National Bank, crammed with giveaway TV sets, is "an embarrassment to the industry," says a competitor. But there's nothing embarrassing about Republic's profits. 104

Faces Behind The Figures

Lord Thomson of Fleet, *International Thomson* 108
Simon Ramo, *TRW Inc.* 108
Cornell Maier, *Kaiser Aluminum & Chemical Corp.* 108
Ronald F. Saverin, *DentCare Systems Ltd.* 110
Azie Taylor Morton, *former U.S. Treasurer* 110
Winthrop Knowlton, *Harper & Row* 110
D. Wayne Silby, *First Variable Rate Fund* 111
Frederic V. Malek, *Marriott Corp.* 111

Personal Affairs

Los Angeles: Where best to stay, sip, sup and unwind in the City of Angels. 112

Money And Investments

What's Ahead For Business?
Why the European recession will be good for us. 29

The Forbes Index
Still up, and up again. 30

The Streetwalker: Break Up Ma Bell!
When they do, buy the competition—but don't sell your AT&T shares. 106

The Forbes/Wilshire Index
Backing and filling in a ho-hum market. 119

Statistical Spotlight: Any Cut Velvet In There?
Mating dances in the textile stocks. 140

Investments: Dating The Wallflowers
Tweedy, Browne does—if they have rich daddies. 141

Columnists

Ben Weberman 125
Heinz H. Biel 126
Ann C. Brown 128
Richard B. Hoey 130
John Train 132
Srully Blotnick 134
Stanley W. Angrist 136
Ashby Bladen 138

Departments

Side Lines 6
Trends 8
Follow-Through 14
Readers Say 16
Fact and Comment.......19
Other Comments 24
Editorial Index 143
Flashbacks 144
Thoughts..........................148

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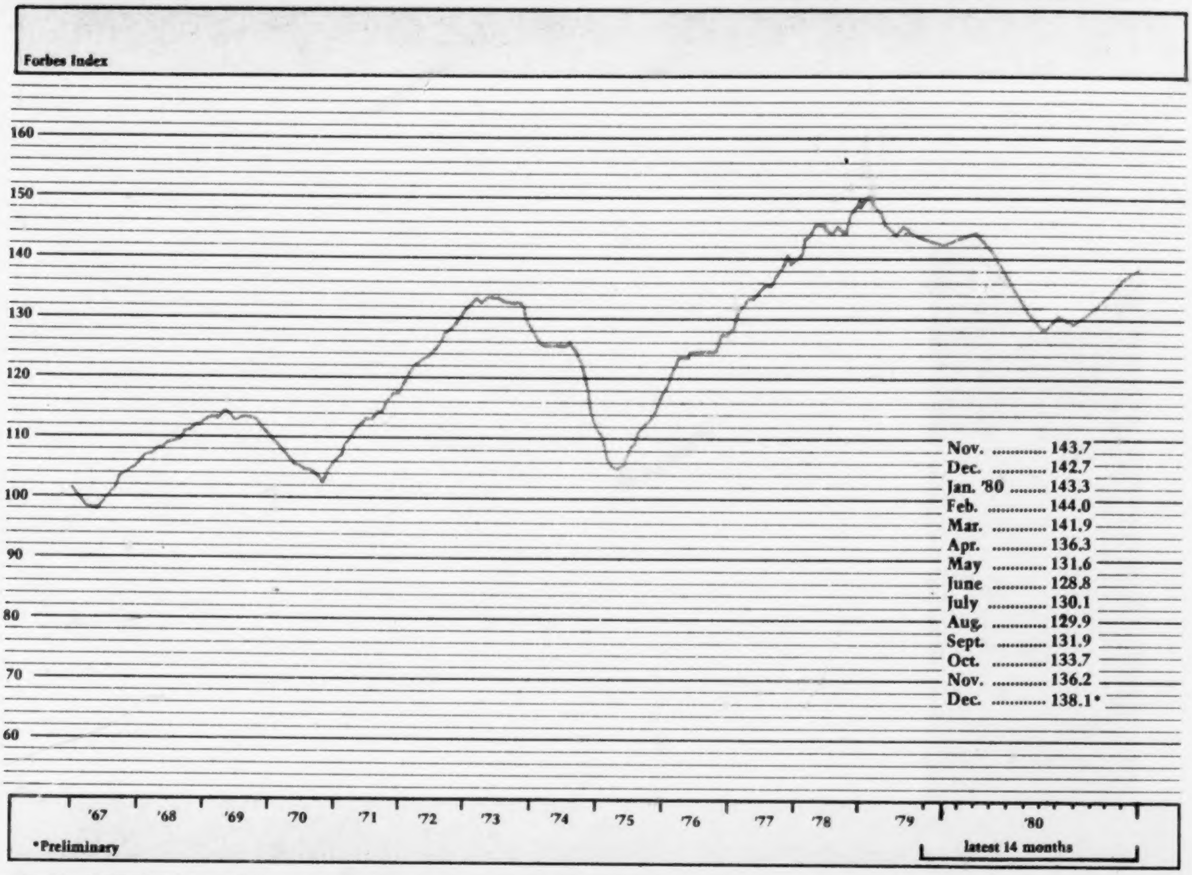
The Forbes Index



Nov.	143.7
Dec.	142.7
Jan. '80	143.3
Feb.	144.0
Mar.	141.9
Apr.	136.3
May	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.7
Nov.	136.2
Dec.	138.1*

*Preliminary

The Forbes Index Components

Those businessmen who want an economic slump to help fight inflation get no good news from the FORBES Index. It is still moving upward. Components that posted the strongest current showing are unemployment claims, which continued their recent decline, and new orders for manufactured goods. The latter are expanding at a healthy rate, and the ratio of orders to inventories is rising, too—another sign of optimism.

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

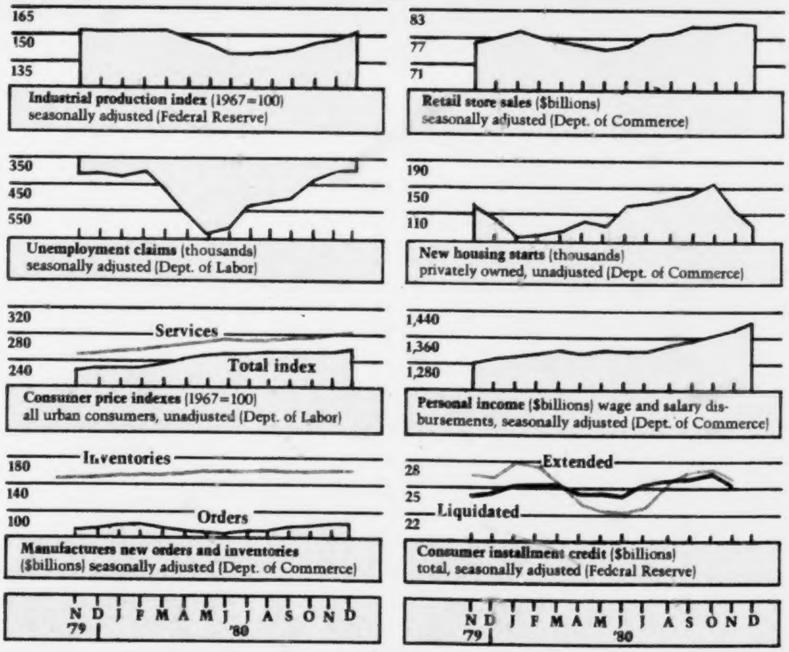
Total retail sales

New housing starts

Personal income

The change in the amount of consumer installment debt outstanding

To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



Industrial production index (1967=100) seasonally adjusted (Federal Reserve)

Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)

Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)

New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)

Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)

Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)

Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)

Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

Help from science could avert a food crisis if it comes in time. The hope is for breakthroughs from universities and business.

The growth industry

By Bob Tamarkin

AMID ALL THE UNRELIEVED bad news about food supplies—diminishing gains in productivity, protein shortages, birthrates that won't quit, prospects of soaring food prices—amid all that, there is good news, too. It comes from what is going on in agricultural research, most importantly in the laboratories of American universities and of major U.S. companies positioning themselves for a great growth market.

The news, often couched in arcane scientific language, carries the promise of virtually limitless horizons in food production. The promise may be agonizingly slow to pay off; it's a business where 1990 seems like tomorrow. And the breakthroughs may not come in time to avert spreading world food problems. But it's the best hope we've got.

For the last 40 years, America, and through our bounty the world, has been living in an agricultural golden age. Every new development of technique in farming increased the soil's yield. But now there are ominous signs. "Yields are increasing at decreasing rates," says Director Norman Berg of the Department of Agriculture's soil conservation service. "Our technology may have reached the point of diminishing returns."

What Berg observes from Washington, farmers like Bill Goodner of Broken Bow, Nebr. and Dennis Mikkelson of Mankato, Minn. experience on their farms. Planting fence post to fence post, Goodner now gets 145 bushels of corn per acre, where his father got only 45 in the years after World War II. But Goodner must pour more water and fertilizer on those fields every year just to maintain his high yields. Mikkelson reports that yields have been flat for the past five years where once they grew 5% a year. "We've sort of run into a barrier," he shrugs.

The very land itself is diminishing. The U.S. farms some 413 million acres today but loses more than 3 million acres a year to a combination of urbanization and soil erosion. On erosion, a new report from USDA only confirms the impression of West Branch, Iowa farmer Lyle Waters, who says, "In Iowa, we lost more tons of soil last year than during the Dust Bowl."

Such prospects are ominous for the U.S. and the world. At home, we'll have enough to eat but costs and prices will keep rising annually. Many of those fertilizers—mainly anhydrous ammonia—herbicides and pesticides that have given farmers today's bounty are energy based. Pushed by energy costs, food prices are rising faster than ever—5.5% a year a decade ago, an estimated 14% this year.

The signs are even more ominous for a hungry world that expects the U.S.—which last year exported 170 million tons of food, *vs.* 6 million ten years ago—to send it more food in years to come. "Soybeans and feed grains would have to increase from 150 million metric tons a year to 500 million by the year 2000 if the world is to keep eating meat," says Ralph Hardy, head of agricultural research for E.I. Du Pont de Nemours & Co.

The prospect is stark: Unless U.S. agriculture can renew its traditional ability to increase productivity, the world could be facing again the old Malthusian equation of too few proteins for too many mouths.

Enter hope. American agriculture has always had strength in reserve—the great research laboratories of our land-grant universities, of farm-minded chemical, drug and seed companies and the support for research from the USDA. The laboratories are working on ways to produce more food with less energy on smaller areas of land. They are focusing on genetic engineering and on advances in plant chemistry. And the progress reports from the research battlefront are heartening indeed.

In the near term the scientists envision substantial production gains from improving a plant's ability to take in nitrogen, an element which is essential for growth, protein and high yields.

Near term from the chemical side will come plant regulants that can speed up crop growth. Already in use by major corporations is the science of hydroponics, the growing of crops without soil.

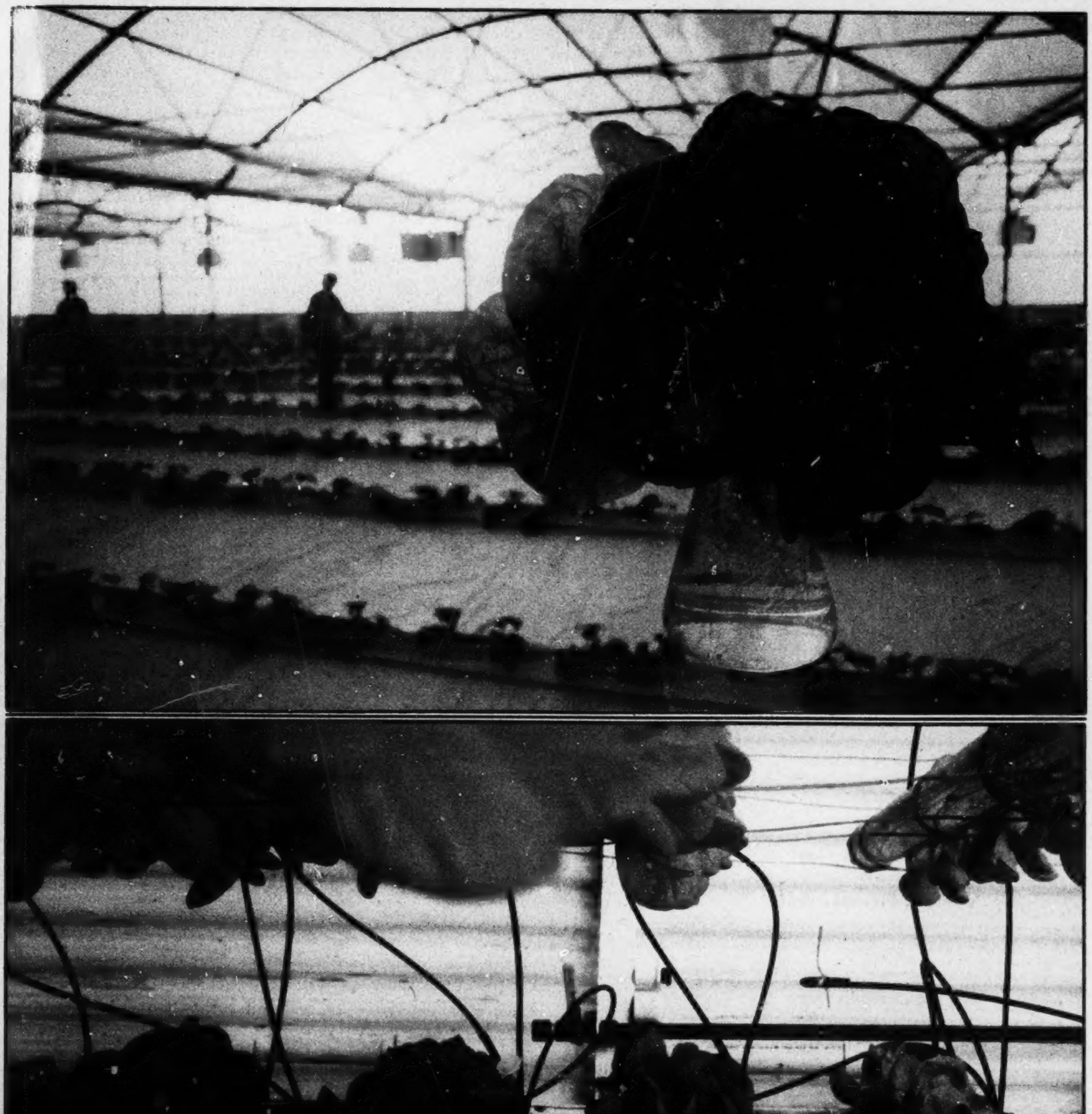
But the most dramatic vision of a new agriculture comes from the promise of genetic engineering to grow one plant from the single cell of another. Through single-cell regeneration it will be possible to isolate the special hereditary qualities that give a plant resistance to disease or the ability to withstand heat, or to go long stretches without water. The scientific name for this newest, most awesome of mankind's abilities is recombinant DNA (for deoxyribonucleic acid, the inherited program dictating the characteristics of all life, human, animal or vegetable). The popular word is cloning.

There is a sense in academe and in industry that there's a Nobel prize waiting for the guy who actually employs recombinant DNA techniques to increase crop production," says John Senger, general manager of Monsanto Corp.'s agricultural technology division.

Sure, more attention has been paid to the biomedical aspects of gene manipulation. Not that plant genes are more complicated than human ones. Simply, more money is available for biomedical research. Yet genetic breakthroughs in agriculture could well precede gains in medicine.

Genetics not only yields crop increases, it gains time. Nobel peace prizewinner Norman Borlaug took 20 years using crossbreeding techniques to develop the resistant strains of rice and wheat that produced the Green Revolution in India and Pakistan. Genetic engineers would cut those decades to a matter of months if they could master the art of separating and perpetuating healthy genetic characteristics. And the work has begun.

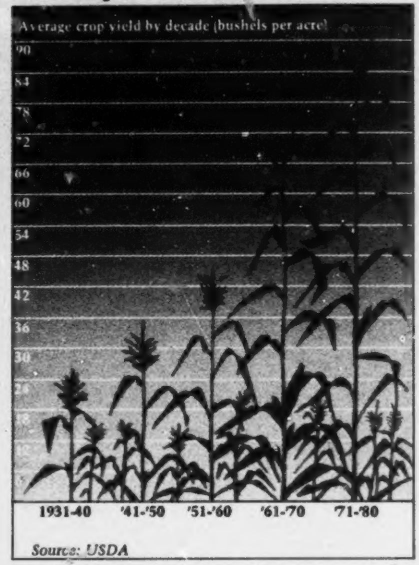
Mary-Dell Chilton at Washington Uni-



Lettuce growing in plastic troughs filled with water and nutrients at Whittaker Corp.'s 1.8 acre greenhouse in Somis, Calif.
Hydroponics can grow 3 million heads of lettuce indoors where 30,000 would have grown outdoors in a tilled field.

Corn

Corn is the world's main feed crop. Cloning could help to bring about a dramatic improvement in yields.



Source: USDA

versity in St. Louis is trying to insert the soybean's protein-forming gene into tobacco, the most common laboratory research plant. If it works, the gene-transfer techniques could be applied to food plants.

Researchers at the University of California at Davis are concentrating on improving photosynthesis, the process by which plants convert the energy in sunlight into plant sugars. If the process could be made more efficient, plants would grow faster. Plants now convert only 1% of the energy absorbed. At 2%, a plant would double its rate of growth, resulting in a massive increase in food production.

Stanford University's Ronald W. Davis is researching ways to alter corn's protein-storage genes to make that $50 billion crop more nutritious. At Kansas State University, plant pathologist James Shepherd is cloning potato plants resistant to blight.

At the University of Minnesota, professor of plant genetics Charles Green has grown plants from cells removed from corn plant embryos. So far he and colleague Burle Gengenbach have isolated a strain resistant to the southern corn leaf blight that destroyed some 15% of the U.S. corn crop of 1970. "If progress is as fast in the next five years as in the past five," he says, "chances are there will be applications." That means the biogenetic techniques can come out of the laboratory and start the equally long process of demonstration and product development that leads eventually to the farmers of the U.S. and the world.

Roland M. Hendrickson, president of Pfizer Corp.'s agricultural division, puts an estimate on the time period needed. "We've been at this single cell thing for four years now," he says, "but we're not doing anything that can quickly be applied commercially. We're looking 10 to 15 years down the road."

Because they are doing the research now, it is likely that major chemical and drug companies will be prominent in the agriculture of the future. The drug companies come to genetics from both the pharmaceutical and agricultural sides, where they are active in veterinary medicine. The chemical companies are the traditional developers of herbicides, pesticides and fertilizers. The promise of genetics, long term, is to displace those products. So, now Dow Chemical, Monsanto, Du Pont and Stauffer are among those devoting money to far-out genetic research, as both defensive and offensive long-term business strategies.

Agricultural research expenditures at the big firms have been growing in the last decade and are now reaching significant size—around 20% of total R&D for most, 36% of total for Eli Lilly & Co. "We're building a broad-based recombinant DNA capability, which includes agriculture," says a spokesman for Lilly.

"We are trying to find some leads into markets that would be important to us five to ten years out, such as nutrition and photosynthesis," says Sam Vranish, agricultural research director for Dow. "We have a lot of faith in agriculture as a growth area for Dow—just like pharmaceuticals."

But corporations, and university laboratories, do not live by the long term alone. The near-term promise of genetic engineering is in nitrogen-fixing.

The problem is simple enough. The solution has scientists agonizing. To make protein, plants need nitrogen, but they can produce it neither from air nor from soil. Bacteria that grow on the roots of leguminous plants—beans, peas, alfalfa, clover—take nitrogen and combine it with oxygen and other substances to produce nitrates, which nourish plants. Traditionally, the bacteria have been augmented by nitrogen fertilizers, but the process eventually weakens the natural bacteria. That meant a need for more fertilizers and more expense.

By using genetics, researchers hope to "infect" the plants—such as 35% pure protein soybean, which builds up the food value of animals—with superior bacteria. Some scientists believe soybean yields could improve immediately by 15% through use of this technique. Progress would yield a double benefit: growth in the $10 billion annual soybean crop and savings on the $2 billion annual nitrogen fertilizer bill.

Raymond C. Valentine, who heads a team of 15 scientists at the University of California at Davis, believes work in nitrogen-fixing is closer to fruition than anything else in plant research. Says bacteriologist Winston Brill, whose research team has devoted 12 years solely to nitrogen-fixation at the University of Wisconsin: "We've had a major breakthrough every couple of months for the past two years." And Du Pont has spent 20 years on nitrogen-fixation research. Dow, Monsanto and Allied Chemical are also concentrating on this promising tool. The researchers hope someday to make the major grain crops, corn and wheat, independent of fertilizers for their nitrogen.

The other near-term technological hope for agriculture, says Du Pont's Hardy, is plant-growth regulants, through which the scientists can selectively modify crops—increase the sugar content of cane or beet, for example. Selective modification, says Hardy, is much more difficult than "the kill/no kill selectivity of pesticides and herbicides."

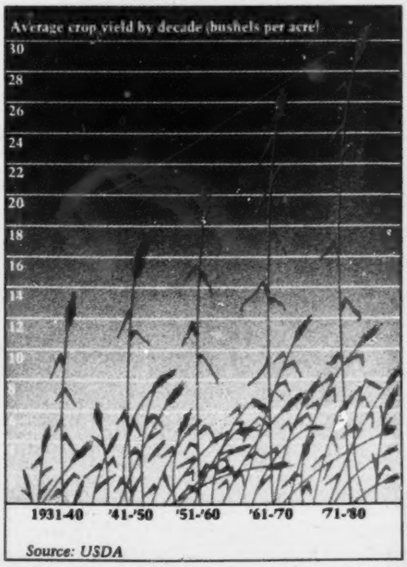
Plant regulants—chemical-like hormones that alter a plant's growth and quality—are an advance of chemical technology so promising as to open a new field.

Union Carbide's regulant, Ethrel, increases yields in walnuts and turns tomatoes and apples redder. For the past ten years, Du Pont's researchers have been working on a regulant that would effectively limit a soybean's intake of growth-inhibiting oxygen. In one test, a soybean plot was flooded with carbon dioxide. The result, notes Hardy, was a doubling of yield.

Monsanto, which gets 42% of its $800

Wheat

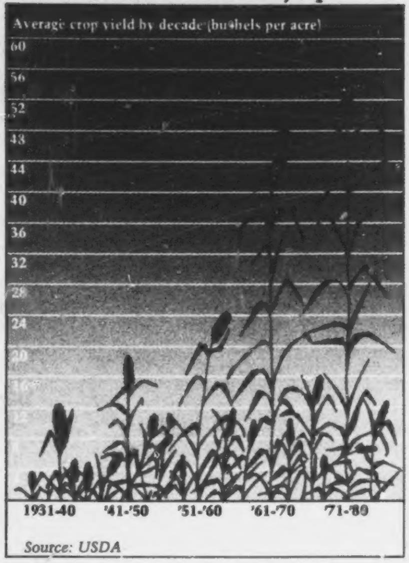
Wheat is America's main export crop. This year, we will send 1.5 billion bushels—half our production—overseas.



Source: USDA

Sorghum

Sorghum, a cereal grass, is used mainly as feed, but it can also be ground into meal or refined into sweet syrup.



Source: USDA

million net income from agricultural products, has a plant regulant on the market, called Polaris, which has already increased Hawaiian sugar cane yields by 10% to 15%. Monsanto is ahead in plant regulants because of a happy accident. The company had a herbicide formula sitting on the shelf in 1976, when one of its scientists ran across an article describing the properties of plant regulants. They were almost identical to those of the herbicide, which was immediately modified and brought into current development. "They're the next major wave of agricultural chemicals and we're heavily committed," says the company's John Senger.

But the most spectacular current breakthrough in chemical technology is already commercial. It's called hydroponics, which basically means growing plants in water instead of soil. Essential nutrients are added to the water and the plants are grown in a controlled environment. Whittaker Corp., of Los Angeles, Calif., Control Data Corp. and General Mills, both of Minneapolis, are already producing lettuce in "vegetable factories." "We grow plants like the East Germans grow athletes, in a very regulated environment," boasts Steven K. Eisenberg, president of Whittaker's Agri-Systems division. Inside a 1.8 acre plastic greenhouse in Somis, Calif., Whittaker is raising lettuce, cucumbers and tomatoes for the $650 million salad-greens market. The expected yield: 3 million heads of lettuce per year, compared with a 30,000-head yield when lettuce is grown in soil.

Control Data is now harvesting 10,000 heads of lettuce a week in an old Minneapolis warehouse using hydroponic technology purchased from General Electric last October. "We can produce it where it is consumed," says Phillip J. Bifulk, a CDC vice president. "Shipping produce from the Sunbelt to the frostbelt only made sense when gas was 29 cents a gallon."

West of Chicago on the outskirts of De Kalb, Ill., General Mills' 5,000-square-foot artificially lighted vegetable factory is growing spinach, Bibb, leaf and Boston lettuce. All three companies plan to franchise their systems to other growers both in the U.S. and abroad.

But chemistry aside, we wouldn't have hydroponics were it not for the electronic control component in these special greenhouses. It is only one of a number of ways that advances in data processing are aiding agriculture. There are computer programs that allow a farmer to select the best animal nutrition at the lowest price. There are some 60 feed companies, dairies and consultants—each representing several hundred farmers—tied into the University of California's farm computer. A cow's vital statistics—such as sex, weight and milk output—are fed into the computer, which then recommends a feed formula. In the past three years, say university officials, the program has increased average animal milk production 40%, to 20,371 pounds per animal. There is electronic entrepreneur, Missourian Marvin Marshall, who tours the dairylands of Illinois, Indiana, Michigan and Ohio in a Ford Econoline loaded with IBM equipment. In two hours he will analyze a farmer's dairy cows and whip up a feed formula.

Not all advances are through revolutionary technology. There is some opportunity for further progress in the traditional areas of selective breeding and seed hybridization, while we wait for the promise of bioengineering. The successes in poultry are already well known. Through selective breeding, higher protein diets and artificial lighting methods, hen houses have been turned into egg factories. In 1924 the average commercial hen laid 112 eggs a year. This year the average will be 250 eggs and through 1985, says James Warren, of DEKALB AgResearch Inc., we can expect at least a two-to-three-egg increase each year. University of Missouri Professor Harold Biellier has developed a prolific layer that produces 448 eggs in as many days.

Less well known is that the cattle industry has found a way to multiply prize stock. Using embryo transplants, a high milk producer can become the mother cow for an entire herd. After artificial insemination induces pregnancy, the embryo is transplanted into an ordinary cow. The resulting calf has the quality characteristics of the blood mother rather than the bearing mother, which can bear repeatedly. One cow at the University of California at Davis conceived a record 11 calves a year. Embryo transplanting is now a $20 million industry, but researchers say that in another few years nearly all animal breeding will be done in this manner—and not only in the U.S. The embryos are already being frozen and shipped to other parts of the world to produce prime stock.

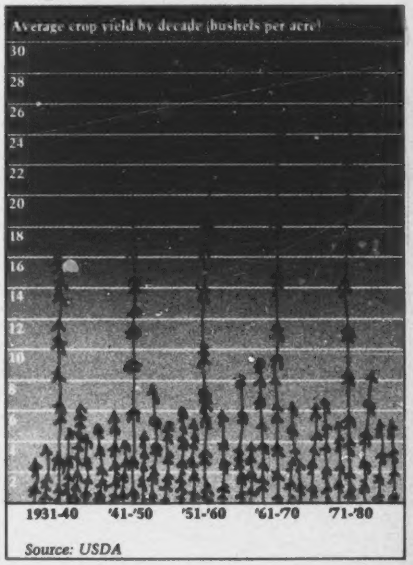
In hybridization, the great successes with corn long ago increased yields dramatically. From here on, says Professor John Pesek, head of the agronomy department at Iowa State University, farmers may still get 1.5 bushels more per acre per year. But the focus of the two giants of the $1 billion corn-seed market—DEKALB AgResearch and Pioneer Hi-Bred International—has shifted to attempts to create hybrid seeds for wheat and soybeans. Anticipated near-term payoff: a 20% increase in wheat yields. Such a surge would add 400 million bushels a year to our wheat crop, allowing a 20% increase in wheat exports.

And DEKALB is taking account of the U.S.' worsening—meaning more arid—weather patterns of recent years and is testing a corn hybrid in the desert heat of Yuma, Colo. That hybrid, derived from a Mexican strain, can grow three weeks without water.

DEKALB and Pioneer are the traditional research leaders, but they must be looking over their shoulders at the roster of well-heeled industrial newcomers to agriculture. Not only the drug and chemical companies, but newcomers like Shell, Atlantic Richfield, Occidental Petroleum

Soybeans

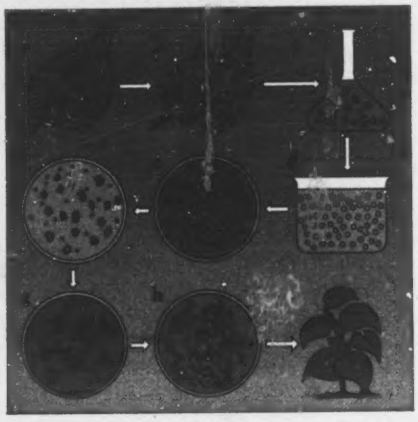
Soybeans is the highest-protein crop—35% pure—and is cheap to grow, making it a good meat substitute.



Source: USDA

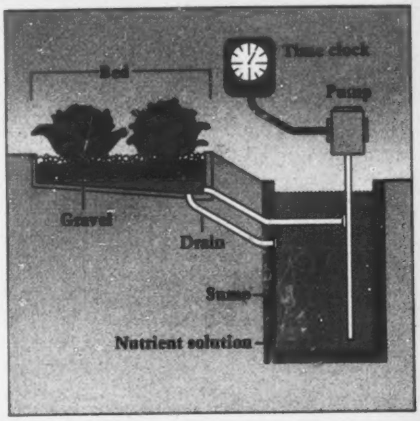
Chip off the old block

Cloning sidesteps the genetic uncertainties of sexual reproduction by carbon-copying a single parent. The potato-plant leaf (a) is chopped (b) and placed in a hormone solution (c) that stimulates cell growth. The pieces are moved to an enzyme solution (d) that dissolves cell walls—leaving protoplasts. A hormone solution (e) makes the protoplasts divide, with each new one an exact replica of the one before. Protoplasts then mass together (f) and hormone treatments cause growth of shoots (g) and roots (h). Finally, the cloned plants are planted (i).



Farms without land

"Hydroponics" is the name for growing plants without soil—most commonly, in water. The main advantage of hydroponics is that it allows closer control over the plant's environment than is usually possible—the timing of "feedings," concentration of nutrients, temperature and humidity. Whatever nutrients the plant needs not found in water are added to make a nutrient solution. In a system like the one illustrated below, the plants are anchored by gravel and the bed is flooded from below; the runoff flows back into the tank to be recirculated.



and International Telephone & Telegraph, which have entered the field by purchasing seed companies.

There is a corporate scramble today to buy up the hundreds of seed companies in the U.S. Why? Because they possess the agricultural knowledge and at least the beginnings of a team of trained personnel. The seed company provides a base to build on, as Pfizer built Pfizer Genetics division on the base of the Trojan Seed Co., of Minneapolis, which it bought seven years ago. Three years ago Pfizer moved it to St. Louis where today it has 20 Ph.D.s in genetic science on the payroll.

Genetics and agricultural Ph.D.s are as valuable as M.B.A.s these days. Monsanto has 20 on its staff and a contract with Daniel Nathans, a Nobel laureate of Johns Hopkins University. Nobel laureate Joshua Lederberg of Rockefeller University is on Celanese's special scientific advisory board.

And there are a number of entrepreneurial companies making a strong bid for future status in agriculture. Agrigenetics Corp. of Denver, Colo. recently spent more than $70 million acquiring two seed companies from Union Carbide. That gave founder and President David Padwa a total of 12 seed companies, bringing annual sales volume of $75 million to his young company. Padwa uses the seed business cash flow to fund such projects as a planned $800,000 laboratory in Madison, Wis. devoted to tissue culture and recombinant DNA. His company, claims Padwa, is backed by venture capital from Henry Ford and some members of the Rothschild family. Agriculture as a field for venture capital? Padwa is an enthusiast: "It's sort of like investing in drilling equipment in 1971," he says. "Now the world has a food problem. Everyone is nine meals away from murder and these biotechnologies are arriving not a moment too soon."

Other small companies include Advanced Genetics Science Ltd., of Greenwich, Conn. and International Plant Research Institute of San Carlos, Calif. Lawrence Bogorad, a top plant molecular biologist at Harvard, sits on the Advanced Genetics board. Both entrepreneurial outfits are extremely hush-hush about their lines of research. AGS, which has neither a listed telephone number nor address, is said to be cloning a disease-resistant potato, and IPRI is trying to grow crops in salt water.

The big companies have begun to step in with cash, either to help or acquire. Monsanto recently bought a $20 million interest in Biogen N.V., a Swiss genetic engineering outfit, and Dow has invested $5 million in Collaborative Genetics Inc., of Waltham, Mass.

If there is any shadow on all this enthusiasm, it is that both private and public research money for agriculture dwindled over the years of agriculture's very success. The emphasis in federal research shifted to human medicine while the productivity curve of the old farm technologies flattened out and the world's food problems worsened. It will be difficult in a time of belt-tightening to increase the amount of research money going to agriculture but, says Ralph McCracken, former head of USDA's office of science and education, "research investment will have to increase to 4% to 6% in the public sector in order to turn the productivity curve around."

Fortunately, there are signs that the climate is changing. In the Carter Administration, Agriculture Secretary Bob Bergland held the purse strings tight for any projects that threatened to displace farm labor, with a nod of support from Cesar Chavez' United Farm Workers. But the Reagan Administration doesn't think that way. John Block, the new Agriculture Secretary, snaps: "That attitude is counterproductive and we can't afford it."

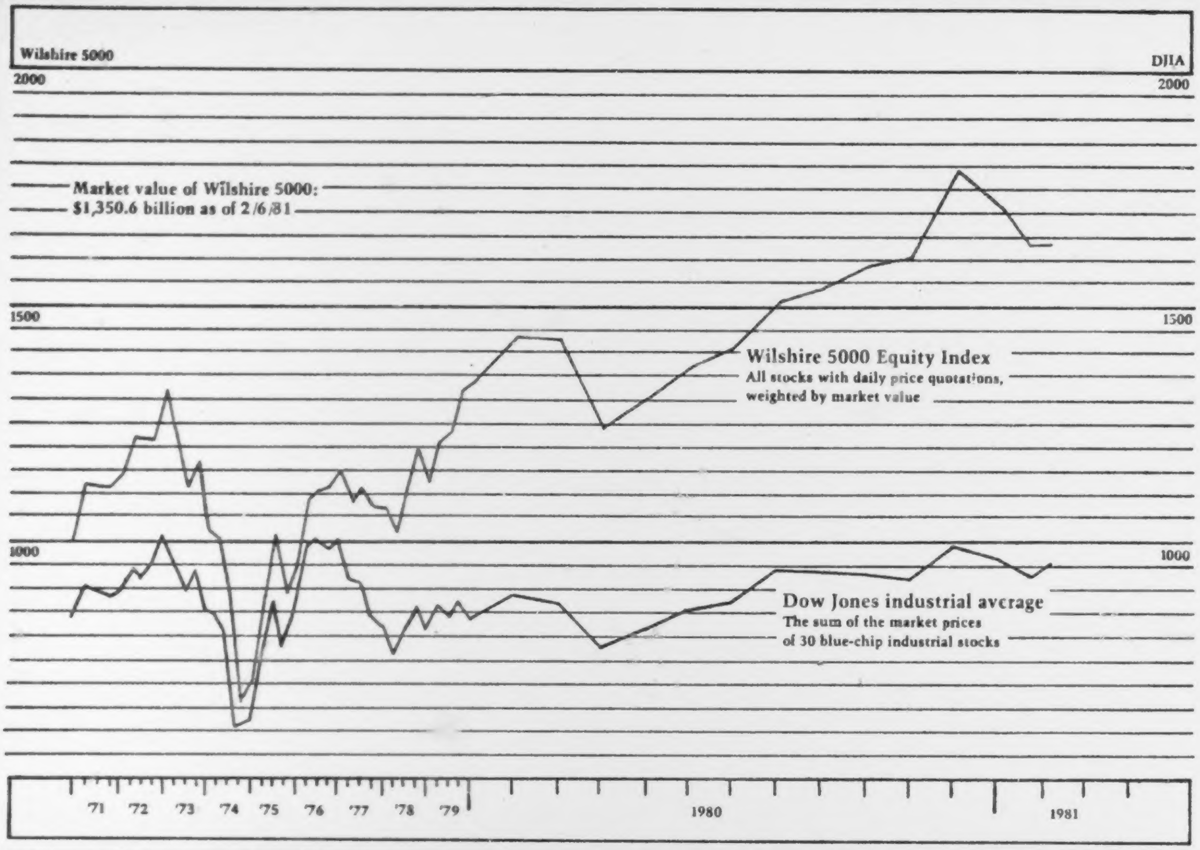
That sense of urgency from the federal government, coupled with the research going on in universities, big corporations and entrepreneurial companies, is likely to produce the right atmosphere for the breakthroughs needed to avert a world food crisis. And just the right climate, too, for a great growth industry of the Eighties. ■

Seed money

Company	Area of long-term agricultural research	Agricultural R&D[1] (millions)	Total R&D[2] (millions)
Allied Chemical	nitrogen fixation	$30	$ 69
American Cyanamid	plant growth regulants	73	124
Dow Chemical	photosynthesis	40	268
Du Pont	nitrogen fixation	42	415
Eli Lilly	recombinant DNA	63	174
Merck	plant genetics	24	188
Monsanto	plant growth regulants	84	173
Pfizer	plant genetics	22	137
Upjohn	soybean hybrids	26	130
Union Carbide	plant growth regulants	46	165

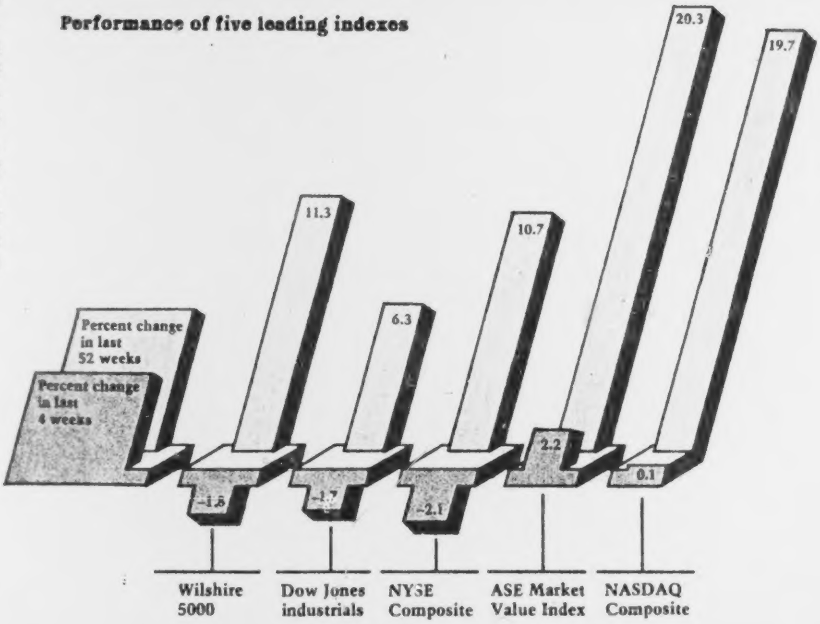
[1] Estimated. [2] Based on latest available figures.

The Forbes/Wilshire 5000 Review



Close-up On The Equity Markets

For a glimmer of hope. compare this chart with the one from our last issue. Then, all the indexes were down sharply, and now the ASE and the NASDAQ have shifted—just barely—into positive territory. What does that mean? Despite the overall declines, investors just won't end their love affair with small companies. That, unfortunately, is hardly good news for the long term. What the market needs most is robust new leadership to set the stage for a real rally.

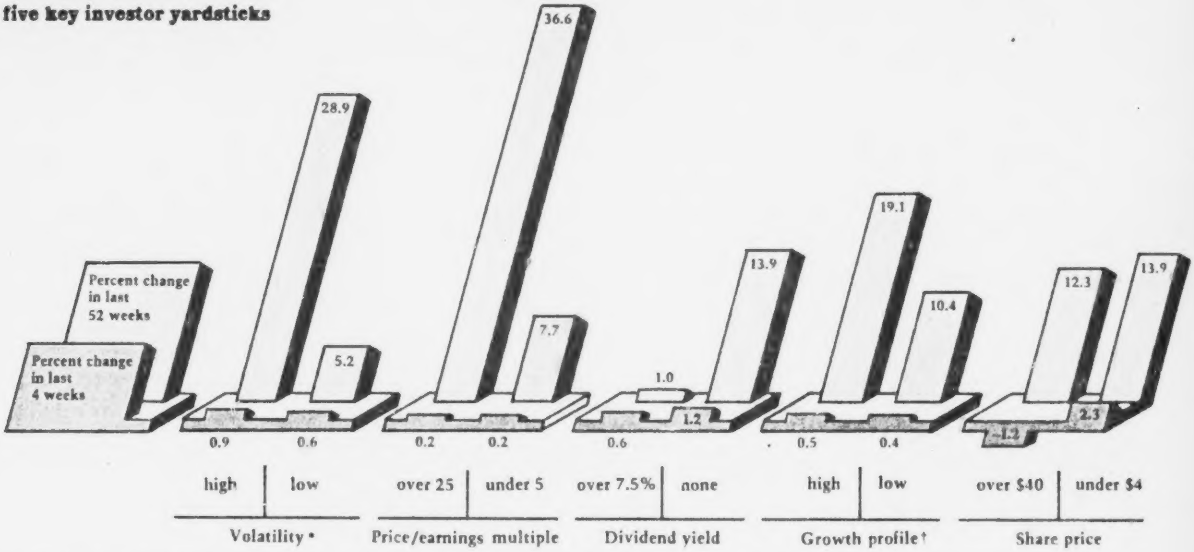


Note: All data for periods ending 2/6/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

It's clearly a ho-hum market. The four-week results in the foreground of the chart are particularly lackluster because the first few volatile trading days of January have now dropped out of the comparison period. Since then, though the averages have edged down, no sign of any real trend is evident. Share price, in fact, is the only yardstick that investors seem to be at all discriminating about. Expensive stocks have moved down considerably relative to the rise in the value of cheaper shares—yet another sign that the over-the-counter boom is still with us.

Stock performance based on five key investor yardsticks

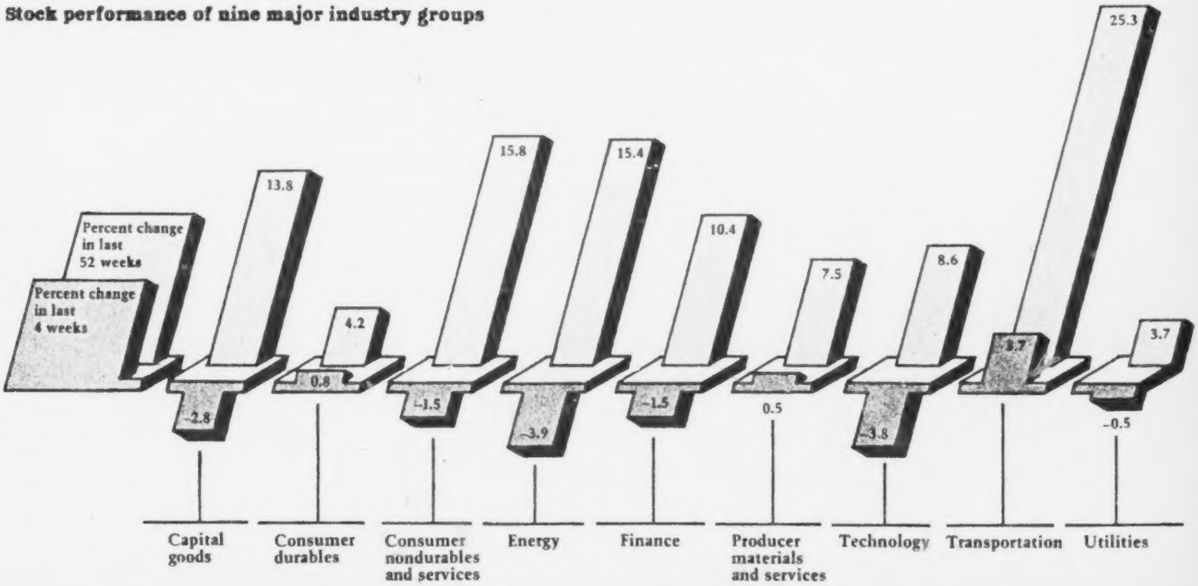


* A stock's sensitivity to overall market movement. High volatility issues have wide price fluctuations; low volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

The energy selloff continues, with technology stocks nearly as unpopular. This is profit-taking, pure and simple. But transportation companies are rebounding nicely—and their strength isn't all due to oil-rich railroads. Some money men think new rate increases will benefit troubled airlines. Still, there is no sign that investors have found new industry groups to lead the market this year. Until that happens, don't expect any major moves.

Stock performance of nine major industry groups



Note: All data for periods ending 2/6/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Statistical Spotlight

In the past few months, textile and apparel companies have generated a lot of interest.

Wheeling and dealing in threads

By Steve Kichen

EVER SINCE THE COLLAPSE of double-knits about a decade ago, textile and apparel companies have been depressed by recession, rapidly changing styles, stiff domestic and foreign competition and rising raw material costs.

Last September FORBES pointed out a select group of undervalued textile and apparel stocks. Although this group outperformed the Dow (9% *vs.* 1%), and a few showed healthy gains—Mount Vernon Mills, up 34%; Salant, 32%—what really drew us back for a second look was the recent flurry of major investments and tender offers.

In January a group of private investors headed by Harold S. Geneen, former chairman of ITT, offered the equivalent of $40 a share for Cannon Mills, which zoomed from 25⅞ to 34; but when Cannon publicly rejected the deal, the stock quickly dropped 7½ points.

White sale

Company[1]	Recent price	Latest 12 months revenues (millions)	Latest 12 months EPS	Interim earnings most recent quarter	Interim earnings one year ago	P/E ratio	Tangible book value per share	Tangible book/price	Indicated yield	% change in price[2]	Price range 1970-81
Adams-Millis	5¾	$ 77.4	$1.22	$0.17	$0.30	4.7	$10.49	1.82	3.5%	17.9%	19⅝– 1¾
(a) Avondale Mills	17½	307.6	2.98	0.76	0.91	5.9	42.53	2.43	6.9	—	30⅝–13⅜
Belding Heminway	5⅞	120.3	0.78	0.08	0.18	7.5	10.78	1.83	6.1	–6.0	16 – 3⅜
Blue Bell	31¼	1,397.8	5.40	1.68	1.82	5.8	31.98	1.01	5.8	12.6	37⅞– 6
Burlington Inds	19⅞	2,900.6	2.90	0.28	0.65	6.9	39.52	1.99	7.6	–9.1	49¾–13⅝
Cannon Mills	25¾	635.4	3.11	d0.09	0.75	8.3	34.93	1.36	4.7	13.8	35¼– 7⅞
(a) Champion Products	19	108.9	2.78	0.55	0.52	6.8	20.33	1.07	3.8	9.4	30¾– 6⅜
Cluett, Peabody	10⅞	738.6	1.60	0.39	0.65	6.8	20.19	1.86	6.3	17.6	31⅜– 2½
Cone Mills	36⅝	729.9	8.88	1.92	2.10	4.1	49.42	1.35	6.0	–7.6	43½– 6½
(a) Crompton Co	24	153.7	3.65	d0.38	1.39	6.6	47.88	2.00	7.5	–9.0	35¾– 5⅛
Fieldcrest Mills[3]	35¼	521.1	4.73	1.07	1.82	7.5	39.73	1.13	5.7	25.3	41⅞– 6½
(a) Garan	13½	128.5	2.52	0.77	0.51	5.4	16.75	1.24	7.4	21.3	29¾– 4½
Graniteville	12⅜	341.1	2.54	0.57	0.68	4.9	22.62	1.83	8.1	—	17⅜– 5½
Hart Schaffner & Marx	16⅜	674.9	2.63	0.75	0.72	6.2	24.70	1.51	6.1	20.2	33⅛– 4⅞
(a) Jaclyn	5⅛	30.4	0.87	0.26	0.29	5.9	8.34	1.63	7.8	–2.4	9¾– 2½
Leslie Fay	9¼	223.1	1.32	0.82	0.49	6.3	12.11	1.47	5.8	11.9	17⅝– 2¾
Levi Strauss	44¾	2,840.8	5.36	1.46	1.28	8.3	16.50	0.37	3.4	16.6	47½– 3
(a) Mt Vernon Mills	35	126.0	5.87	0.33	1.22	6.0	57.84	1.65	4.3	34.0	35 –10¾
(a) Movie Star	10⅞	42.9	1.14	0.57	1.05	9.5	20.22	1.86	5.5	7.4	20⅝– 3¼
Munsingwear	16¾	144.3	0.35	d0.47	0.38	47.9	29.45	1.76	—	19.6	38¾– 9¾
(a) Olla Industries	9⅞	15.4	2.33	0.23	0.44	4.2	16.41	1.66	4.1	9.7	26⅝– 1¼
Oxford Industries	12⅞	297.3	2.38	0.94	0.52	5.4	23.23	1.80	5.9	–2.8	34 – 7
Palm Beach	18¾	372.5	3.39	1.34	1.32	5.5	14.77	0.79	6.4	–1.3	22½– 2
(a) Pat Fashion Industries	9¾	72.1	3.27	1.24	0.56	3.0	14.00	1.44	1.5	27.9	12 – ½
Riegel Textile	23½	444.3	4.65	0.95	1.03	5.1	34.28	1.46	7.7	13.9	25½– 6⅜
(o) Rospatch Corp	8⅛	55.4	1.40	0.19	0.53	5.8	16.16	1.99	7.4	–1.5	24⅛– 5⅞ [4]
Russ Togs	13¾	188.4	2.44	0.74	0.64	5.6	13.57	0.99	6.4	25.0	23⅞– 5½
Salant	8¾	270.2	1.07	0.44	0.26	8.2	15.88	1.81	4.6	32.1	13⅜– 2⅞
(a) Splentex[5]	7¼	19.5	0.60	0.20	0.24	12.1	12.56	1.73	3.3	28.9	19¾– 3½
Springs Mills	17¼	906.1	3.58	0.58	0.99	4.8	38.60	2.24	7.0	1.5	20⅞– 8¼
JP Stevens	14	1,915.9	1.59	d0.34	1.09	8.8	36.55	2.61	8.6	–9.7	18¾– 8¼
Ti-Caro	28⅞	251.0	5.75	1.25	1.43	5.0	36.72	1.27	7.6	5.0	29⅞– 6¼ [4]
(o) Unitog	13	56.6	3.20	0.96	0.76	4.1	29.80	2.29	6.2	—	50½– 8¾ [4]
West Point-Pepperell	43⅝	1,241.6	9.67	2.62	2.27	4.5	69.71	1.60	7.3	10.1	45¾–16¼
(o) William E Wright	5	44.4	0.59	0.12	0.06	8.5	9.32	1.86	5.6	25.0	26¼– 1¾

[1] All companies listed on the New York Stock Exchange except those labeled (a), American Stock Exchange and (o), over-the-counter exchange. [2] This column shows the percentage increase or decrease in stock price since the Sept. 1, 1980 issue of FORBES. [3] Already 40% owned by Amoskeag; now discussing a total combination with this company. [4] Price range for less than 11 years. [5] To be merged into a private company, Splendor Form International. Each public shareholder is to receive $8 for each share surrendered. d: deficit.

With its extremely secure balance sheet and its freedom from long-term debt, Cannon is still in a good position to be either an acquirer or an acquiree. Further plays seem likely.

Another courtship that apparently won't make it to the altar is Allegheny Ludlum Industries' seemingly halfhearted flirtation with Blue Bell. Kay Norwood, analyst at Interstate Securities of Charlotte, N.C., sees the venture as somewhat of a mismatch right from the start. The joke going around was that perhaps Allegheny had plans to use some of their excess steel capacity to make jeans out of something a little sturdier than denim. Besides, Norwood notes, Blue Bell is worth closer to $50 to $60 a share than the $40 offered by Allegheny. Now Bass Brothers Enterprises, a private oil and gas company that controls 6.8% of Blue Bell, has emerged as another potential suitor.

Then there's Fieldcrest Mills, which is considering a combination with Amoskeag, which already has a 40% interest in Fieldcrest. Splentex, meanwhile, is going private *(see table)*.

The list goes on: Hart Schaffner & Marx strengthened its position in women's tailored clothing, one of the stronger growth areas in this industry (FORBES, *Feb. 16*), by acquiring Country Miss.

Troubled Munsingwear is attempting to issue over half a million shares, the equivalent of 30% equity, and sell them to three Japanese companies. A Munsingwear shareholder group represented by Tweedy, Browne *(see following story)* is challenging this plan. Warming up in the bullpen is Gulf & Western, which holds 16% of Munsingwear.

If the market can't recognize a bargain staring it in the face, Charles Bluhdorn, chairman of Gulf & Western Industries, usually can. In November Oxford Industries bought back 6% of its common from G&W, who made about $2.5 million on that deal. Cannon Mills and West Point-Pepperell have also paid premiums to buy back shares from Mr. Bluhdorn.

One reason that people like Charles Bluhdorn see many of these stocks as promising investments is that they're selling way below book value. For every buck you invest in Avondale Mills, for example, you get $2.43 worth of book value assets.

"Book value can represent obsolete plant and equipment with little market value," cautions Kay Norwood. "Liquidate some of these companies and you'd only get about half book for their assets." But in textiles and apparel some productive assets were written off ages ago. Besides, many companies, Cone Mills, for example, have been making major capital investments.

In short, the bargains FORBES wrote about last September are still there. But now people are beginning to notice. ■

Clever Tweedy, Browne doesn't date the most glamorous gal in town. It looks for wallflowers that have very rich daddies.

Finding money in The Street

By William Baldwin

WANNA HOT STOCK TIP? Tweedy, Browne Inc., a broker and investment adviser, recommends Simpson Timber Co. at $40,000 a share. Earnings are a respectable $12,000 or so, giving an attractive multiple, but the folks at Tweedy couldn't care less about the earnings. What they see is an estimated 60 acres per share of redwoods and 75 acres of other timberland, making the stock worth 10 or 20 times the quoted price.

Tweedy, Browne is a dealer in inactive securities like Simpson and an avid buyer of any stock available for a fraction of its intrinsic value. "If you can find a dollar bill for a nickel it makes sense to buy it," says Thomas Knapp, 60, who oversees the slow-paced, almost sleepy trading room in Tweedy's 17th-floor offices at 67 Wall Street. Knapp and the four other contented millionaires who run the firm make handsome if unspectacular profits in the low-risk business of asset plays.

TBK Partners, the firm's main investment vehicle, has earned 22% a year compounded since January 1959, compared with 8% for the Standard & Poor's 500, including dividends. Besides what they make on their own $6 million piece of TBK's $35 million in capital, Knapp and his colleagues take a fifth of each year's profits off the top as general partners, leaving a still attractive 16% to 18% for the 60 limited partners. They also collect a 1.5% annual fee for investing another $60 million in individual accounts.

These vulture capitalists don't want to hear about a company's bright prospects, clever management or new products, only how much meat is on the bones. Manufacturers, for example, selling for two-thirds of their cash and inventories. Or timberland, television stations or motels going for one-third of appraised value. SEC filings show that TBK and affiliated accounts own 5% or more of a girdlemaker (Splentex), a publisher of religious books (Sadlier) and two ladies' handbag firms (Consolidated Accessories and Olla Industries). Hardly glamorous. "We don't want to value the what-if part of the business. We want to value the what-is," says Christopher Browne, 34, son of an early partner.

Tweedy, Browne began 61 years ago as a mail-order business of Forest Burwell Tweedy, an eccentric Dickensian character who attended annual meetings of obscure companies, copying down shareholder lists and mailing postcard offers to buy or sell small batches of stock. But there's more money in investing than in trading. If you can buy something for $5, why sell tomorrow at $6 when it's really worth $25? Today Tweedy, Browne is a marketmaker in 20 stocks and an investor in 900. Holdings range from a single share of Standard Safe Deposit Co., around the corner on Broad Street, to controlling interest in an insurance company (bought for a fraction of its stock portfolio), a casketmaker (a current-assets play) and a dredging company (which sits on several miles of Delaware River waterfront). "We'll buy anything at a price," says Chris Browne.

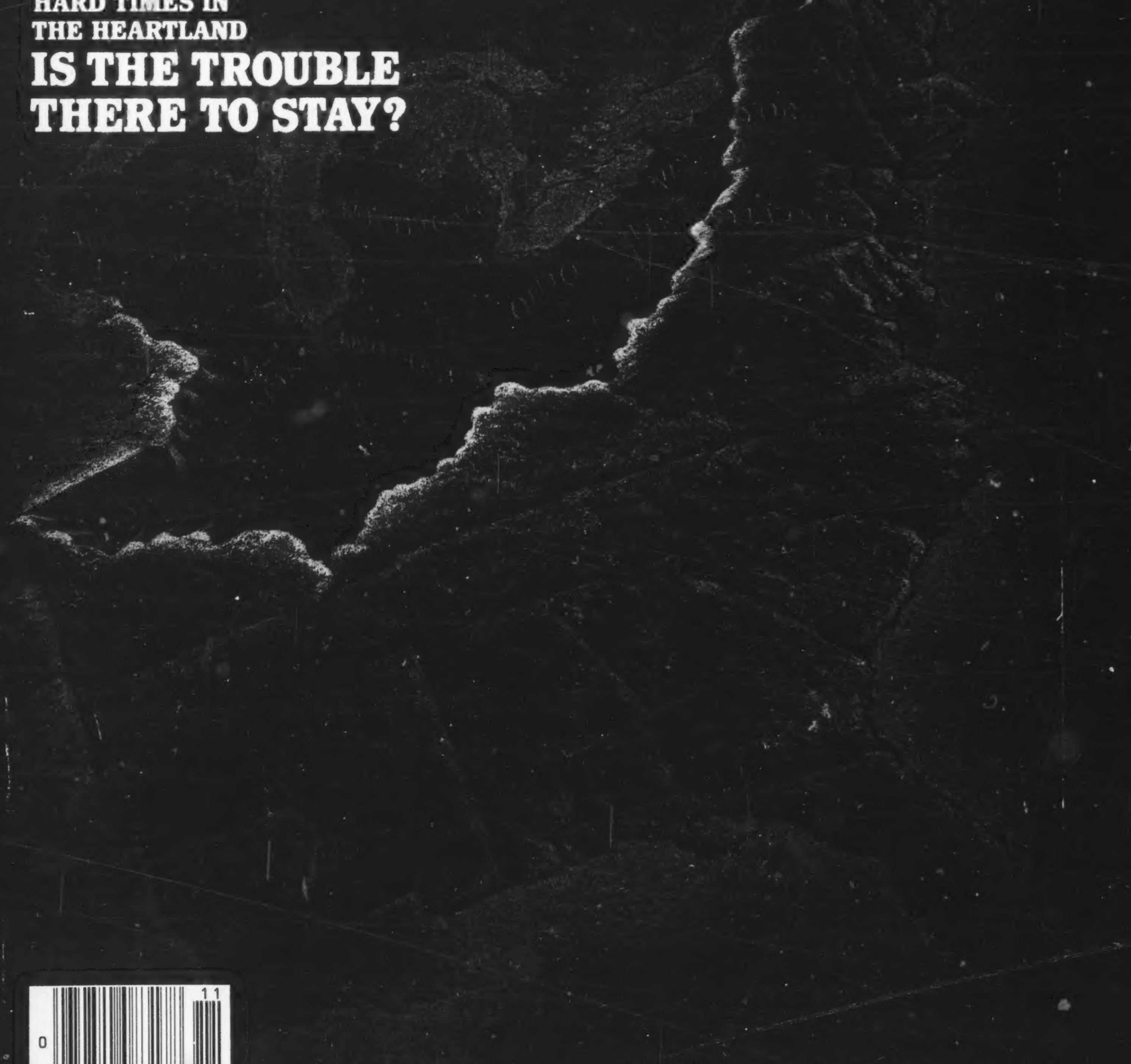
The best opportunities are in thinly traded securities, but they're also the hardest buys to find and the hardest to assess. Take Simpson Timber, largely owned by the billionaire Reed family of Seattle. Management doesn't cotton to outside shareholders, and it's close-mouthed about finances, to say the least. The one-page 1979 annual report doesn't bother with such details as the number of shares outstanding, which makes valuation tricky. This is not such an unusual situation. Of 15,000 companies listed in the National Stock Summary, nearly half have fewer than 500 shareholders and thus don't file financial data with the SEC. Offered a few shares of some unknown, nonfiling company, Browne says, "We'll go through the Dun & Bradstreet listing and throw in a real low ball."

MARCH 16, 1981 TWO DOLLARS FIFTY CENTS

Forbes

HARD TIMES IN THE HEARTLAND

IS THE TROUBLE THERE TO STAY?



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Forbes

March 16, 1981
Volume 127, Number 6

120 Cover Story: It's not simply the numbers that mark the distress of the Midwest, but the fundamental forces causing it.

31 Former Ambassador to China Leonard Woodcock: In the People's Republic, no Keynesians need apply.

42 The German economy is exhibiting symptoms displayed by the U.S. a decade ago. One difference: Germany can't print dollars.

66 Murphy's law at Capital Cities Communications means that whatever can come out *right* usually does.

Features

China: Facing The Facts
Just as we do, the Chinese worry about inflation, productivity and balanced budgets, says Leonard Woodcock, recently retired U.S. ambassador to the People's Republic. 31

Office Buildings: A Glut On The Way?
An estimated 52 million square feet of new office space is scheduled for completion in the next 21 months. Can demand soak it all up? 33

Agriculture: Peanuts No More
The price, that is, of peanut butter, which has soared into the stratosphere. Blame the government. 35

Insurance: For Whom The Bell Tolls
It may toll for thee, Mr. Reinsurer, says the chairman of Lloyd's of London. 36

Solar Energy: Red Giant Or Black Hole?
Like many other bright ideas, solar may remain a viable concept. But hardly anyone is making money at it. 37

Germany: Catching The American Disease?
How the miracle economy of postwar Europe got into trouble—big trouble. 42

Companies: Ideal Basic Industries
John Love concedes he's been in the wrong place at the wrong time before. He had better not be now. 56

Britain: Here Come The Japanese
Japanese firms now directly employ 13,000 British workers in the U.K., and the figure is rising. 60

Companies: Capital Cities Communications
Tom Murphy doesn't believe in big corporate staffs, vice presidents for strategic planning or, in the formal sense, public relations. So why does everything at Capital Cities seem to go so well? 66

Companies: PepsiCo
Don Kendall has made it as big as Coca-Cola. Can he make it as profitable? 74

Companies: Ricoh
When you go under another's name, it's sometimes hard to establish your own. 80

Companies: Grumman
Doing better than the bus drivers may think. 82

Companies: Dayton-Hudson
Is the department store dying? Then how about the store of specialty departments? 87

Real Estate: Getting Burned On The Beach
There seemed to be no end to the Miami condominium boom. But now, the wave may be cresting. 93

Profile: Ninfa Laurenzo
Texas' Mexican restaurant impresario is one of the reasons for the free enterprise system's success. 103

Oil And Gas: Smart Money Is Smart Money
Five successful wildcatters who came from outside the petroleum industry. 108

Cover Story: Is The Midwest Dying?
Neither wishful thinking nor vast federal programs can arrest a historical process. Like New England long ago, the Midwest is in industrial decline. 120

Companies: Kaneb Services, Inc.
What have its managers wrought? A three-legged stool that the stock market isn't ecstatic about. 130

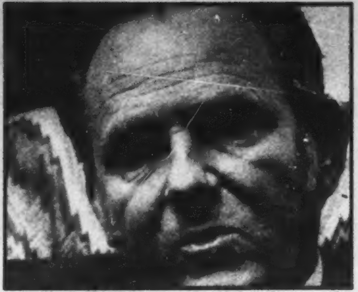
Companies: Masco Corp.
"We're more solid than Xerox or IBM," says Dick Manoogian. He may be right. 132

Companies: Keene Corp.
An intriguing idea: the perpetual spinoff. 138

The Numbers Game: A Present For Investors
Believe it or not, the IRS has just adopted a regulation that gives money back to shareholders. 141

Mutual Funds: Keeping The Little Fellows Happy
When a money market fund tries to help small banks, it must be politics. 142

103 Ninfa tastes the fare: "Now we're going to make the system work for us."



130 Kaneb's James R. Whatley and Michael G. Shoup have sometimes pursued their own wisdom, sometimes cut their cloth to Wall Street's expectations.

144 Depreciation Reform: A new beginning for investors? Maybe, but not in the ways you think.

148 First Mississippi Corp.: The good new boys.

Depreciation Reform: A Renaissance For Whom?
Maybe for tax shelter salesmen. Fair warning. 144

The Shoe Industry: Any Word From The Survivors?
There are some—and they're doing well. 146

Companies: First Mississippi Corp.
No more sleepy time down South. 148

The Money Men: Robert G. Wade Jr.
"The name of the game is growth" That's what he said in 1973, and that's what he says today. 152

Water: "There Is No Synwater Industry"
Nor are we going to discover more of the real stuff, says historian John Opie. So we'd better stop wasting it. 154

The Up-And-Comers: Midway Airlines
Irving Tague had an idea—an idea, unfortunately, whose time has not yet come. 155

Faces Behind The Figures

Roy Ash, *ex-AM International* 160
John E. McConnaughy Jr. and
Anthony J. Giglio, *GEO International* 160
Warren E. Avis, *ex-Avis Rent A Car* 161
Maureen E. Reagan, *Sell Overseas America* 161
Warren Hirsh, *Hirsh-Evans, Inc.* 161
Sid Bass, *Investor* 162
Arthur Taylor, *RCTV* 162
Stephen Rose, *Stephen Rose & Partners Ltd.* 162
John Soden, *National Supply Co.* 163
Robert F. Calman, *IU International* 163
Jay O'Meilia, *Artist* 164
Leona Helmsley, *Helmsley Hotels* 164

Personal Affairs

Some advice from executives who quit smoking. Also, rolling over your pension plan, selling your home and planning estates. 165

Money And Investments

What's Ahead For Business?
Corporate profits will go up, inflation down. 25

The Forbes Index
Almost exactly where it was one year ago. 26

The Forbes/Wilshire Index
Oil stocks lead the market down. 171

The Streetwalker
Will airline stocks hit an air pocket? 188

Statistical Spotlight: Oil Majors, Debt-Free Companies
The oils are cheap; the debt-frees are in clover. 190

Columnists

Ben Weberman 175
Heinz H. Biel 176
Ann C. Brown 178
Stanley W. Angrist 180
John Train 181
Ashby Bladen 182
David Dreman 184
Srully Blotnick 186

Departments

Side Lines 6
Trends 8
Follow-Through 12
Readers Say 14
Fact and Comment.......19
Other Comments 22
Editorial Index 194
Flashbacks 195
Thoughts..........................196

Photos: pp. 6, 66, 80, 110, 118, 160 top, 161 top, Robert Forbes; p. 8, P. Breese/Gamma Liaison; p. 31, Jim Pickerell; p. 32, Anderson/Sygma; p. 33, Kim Steele; p. 35, Judith Gefter; pp. 36 left, 162 top, Patrick Pagnano; p. 36 right, Les Wilson; pp. 37, 38, Bruce McAllister/Gamma Liaison; p. 42, Carl Flatow; p. 56, Carl Iwasaki; pp. 60, 162 bottom right, John Moss/Black Star; p. 74, John Chang McCurdy; pp. 82, 138, 143, 146, 161 bottom left, 164 top, 166, Bill Kelly; p. 87, Stu West; pp. 93, 94, Ray Fisher; p. 103, John Grossman; pp. 114 top, 125, Les Wollam; p. 114 bottom, Jim Hulsey; pp. 120, 121 top, 132, Peter Yates; p. 121 bottom, Richard Faverty; p. 126, Steve Liss/Gamma Liaison; pp. 130, 165 bottom, David Nance; p. 152, Robert Kaufman; p. 154, Dan Millen/Black Star; pp. 155, 165 top, Art Shay; p. 160 bottom, Dick Tolbert; p. 161 bottom right, Tom Keller; p. 163 bottom, John Senzer; p. 164 bottom, Bob Hawks

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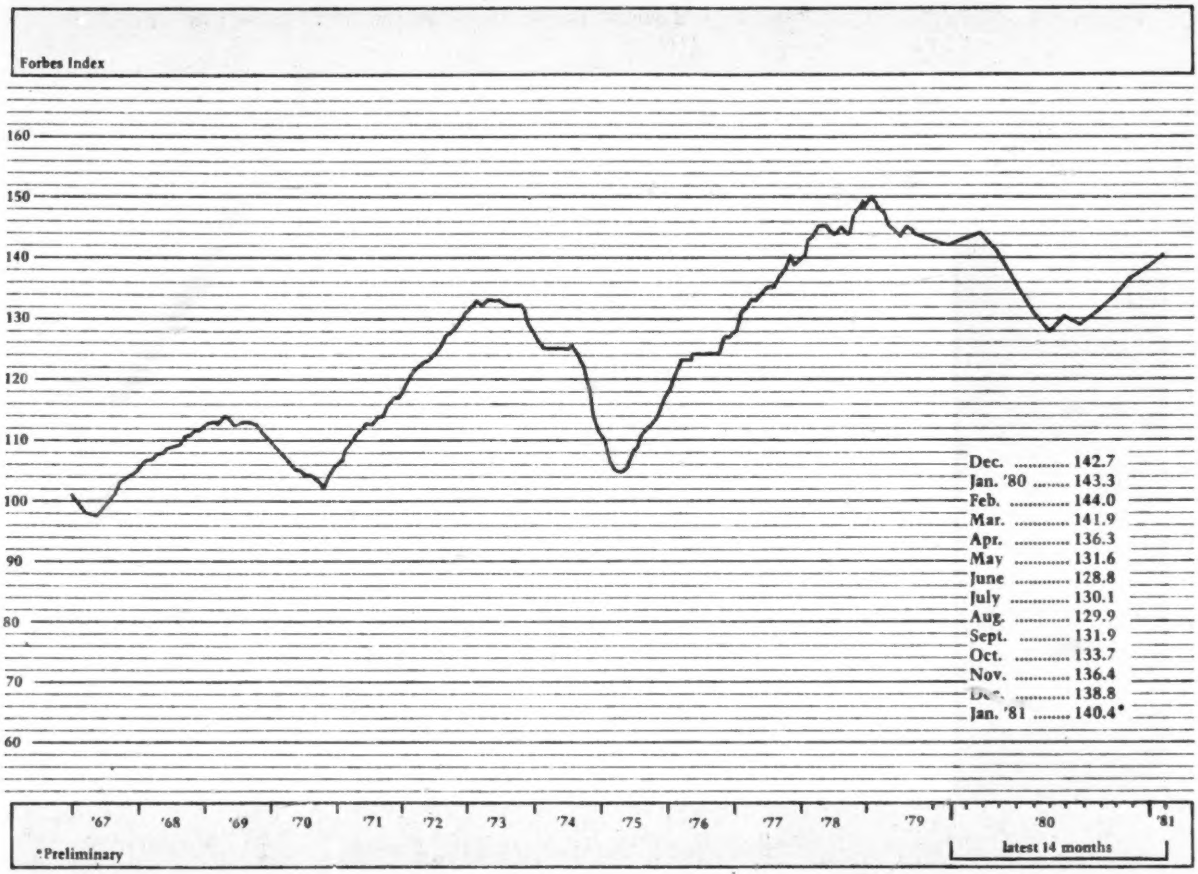
The Forbes Index



Dec.	142.7
Jan. '80	143.3
Feb.	144.0
Mar.	141.9
Apr.	136.3
May	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.7
Nov.	136.4
Dec.	138.8
Jan. '81	140.4*

*Preliminary

The Forbes Index Components

Good news abounds in the FORBES Index for this issue. Industrial production is almost back where it stood 12 months ago, and retail sales are surging ahead. Even the slump in housing isn't as ominous as some headlines indicate. New construction in January was off sharply from December, but current starts are nearly 10% above their sorry year-ago levels.

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

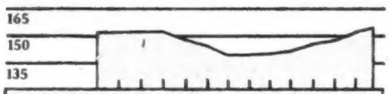
Total retail sales

New housing starts

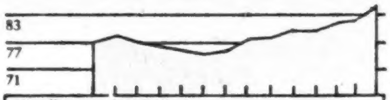
Personal income

The change in the amount of consumer installment debt outstanding

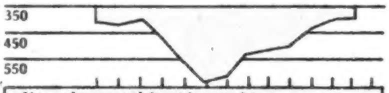
To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



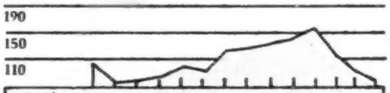
Industrial production index (1967=100) seasonally adjusted (Federal Reserve)



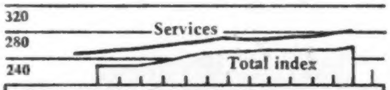
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)



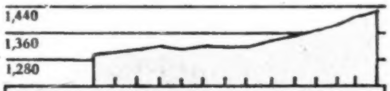
Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)



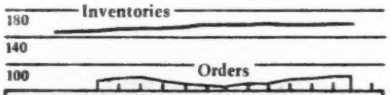
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)



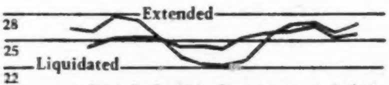
Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

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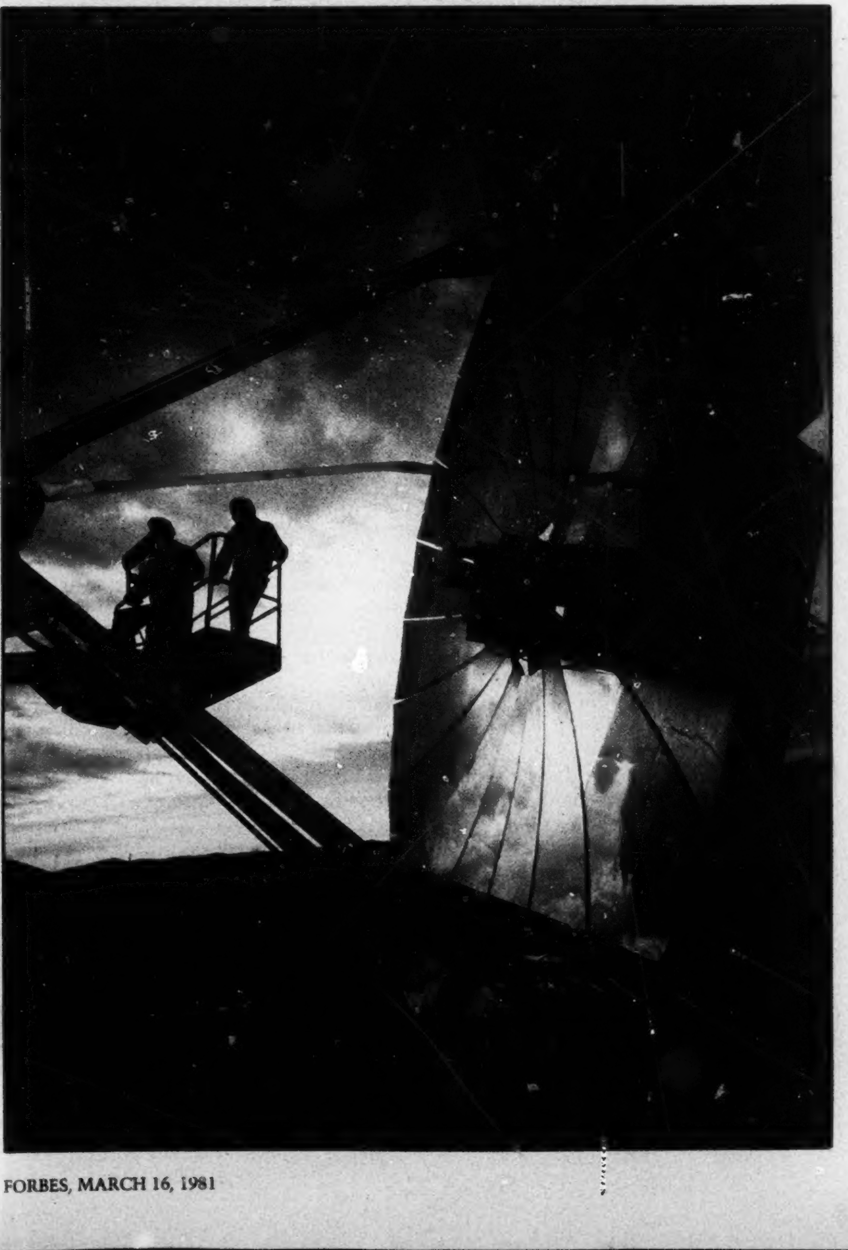
Getting heat and hot water from the sun may still be a bright idea. But big government and big business are backing away.

Solar eclipse

A high-temperature solar collector at a government test site in Golden, Colo.
Clouds on the bottom line put the industry's future in question.



By Carol E. Curtis

LAST MONTH EXXON CORP., the world's biggest oil company, quietly sold Daystar, its solar collector subsidiary, to American Solar King Corp., a tiny firm in Waco, Tex. On the surface, the purchase looks like a bargain: For $2.2 million, the depreciated value of Daystar's book assets, Solar King picked up a facility capable of turning out 50,000 solar collectors a year, plus a marketing network that includes 200 dealer outlets in the Northeast. "I'm so tickled I can hardly stand it," says Brian Pardo, president of Solar King. "What was a crumb to Exxon is a cookie to us."

How tasty a cookie remains to be seen. For Exxon knew precisely what it was selling. It purchased Daystar, which makes medium-temperature solar collectors, in 1977 for an undisclosed figure, and invested $10 million to develop the business. Exxon spent that money on the assumption that revenues would double every year, reaching $100 million by the early 1980s. But Daystar has yet to turn a profit. Sales last year were just $3.5 million, producing $200,000 in losses. "In 1977 this looked like a good business to be in," says George Foster, president of Daystar since April 1979. "Since then, the outlook has changed. Exxon did not feel this was for them in the long term."

Daystar's performance is not unique. Only one of the top collector companies made money last year *(see table, p. 38)*. While some businesses are still optimistic about current sales—hoping for a boost from oil and gas deregulation and even higher utility bills—most are struggling to stay alive. Besides Exxon, Grumman and ARCO also appear to be reducing their solar activities. "Everybody made the assumption that this shakeout would occur at the low end, and that big companies would stay in the business," says Pardo. "But from top to bottom, solar collector companies are leaving the industry."

How did the bright promise of solar heating and cooling, which peaked just three years ago with passage of generous federal tax credits, fade so quickly?

Since October 1978, homeowners installing solar equipment have been eligible for a 20% federal tax credit taken directly off the taxes they pay. In 1980 the credit was increased to 40%. On the average solar installation, that adds up to about $1,200. Some states, such as California, Colorado and Wisconsin, have added their own credit, bringing the total to as much as 70% in Colorado.

Still, tax incentives have hardly been an effective selling tool. According to a survey by Arthur D. Little, 50% of the general public has never even seen a solar application. ADL estimates that two-thirds of the candidates for tax credits still aren't aware of them—even after three years have elapsed.

Even wider knowledge of tax incentives, however, may not help the industry. That's because the biggest buyers of collectors so far have been high-income homeowners who are most likely to be aware of the tax credits. Among the less affluent, where awareness of the credit is low, it is less of a selling point. The affluent few who bought collectors after the credits passed hardly added up to the sales boom the industry had projected.

At all income levels, a big deterrent remains the long payback time. The average solar water heating system, for example, costs about $3,600. The payback time in terms of direct fuel savings (depending on local utility rates) is about five years, taking into account the cost of capital and tax benefits. On a space heating system, which goes for about $10,000, it takes eight years for the homeowner to get his investment back. Such numbers simply aren't convincing enough to sell many collectors. Comparisons are worse still for business buyers: Corporate tax credits are less generous than those available to individuals.

The dark side

Both independent companies and subsidiaries of larger corporations sell solar collectors. Among top suppliers, only one made a profit last year.

Company	1980 solar-only revenues (millions)	1980 pretax profit (loss) (millions)
Acro Energy Corp	$4.5	$ 0.9
American Solar King	2.7	(0.5)
Ametek, Inc	1.5	(1.3)
Asarco	5.0	(4.5)
Atlantic Richfield	0.8	(1.2)
Grumman	10.0	(4.9)
Olin Corp	2.5	(0.3)
Revere Copper & Brass	4.0	(3.0)
Reynolds Metals	1.7	(0.5)
Solaron Corp	2.5	(0.7)

Sources: Company data; FORBES *estimates*

The result, for the solar industry, has been a slower rate of growth than anyone projected. In 1980 the U.S. collector manufacturers did only $300 million worth of business—about $25 million more than a year earlier, and $50 million over 1978, the year the tax credit became effective. Adjusted for inflation, however, sales have hardly grown at all. Thus, it will take far longer than two decades to build the $20 billion industry that government solar planners had projected three years ago.

A big factor in those optimistic projections was a fat role for the federal government. Jimmy Carter gave the Department of Energy $539 million in fiscal 1980 to promote, develop—and even subsidize—solar technologies. Said a DOE official at the time, "Without a federal presence, nothing will happen."

But it is questionable how much the incentives have helped. Some Washington programs may even have hurt the industry *(see box)*. In any case, the federal role should diminish under the Reagan Administration. The President has already asked Congress to slice future solar spending from $589 million in 1982 to $224 million, a reduction of more than 60%. Most of the proposed cuts come from near-term programs to promote solar heating and cooling, and they include an end to the solar loan bank set up to provide capital for the industry.

Where does this leave businesses like Brian Pardo's? His tiny company, and others like it, are likely to loom larger on the solar scene as the corporate giants pull up stakes. Since acquiring Daystar, for example, American Solar King has become the biggest U.S. company selling solar collectors for residential hot water and heating. Though his five-year-old company has yet to post a profitable year, Pardo thinks small solar firms will now do better than ever. "Companies like Exxon and Grumman have monstrous advertising and R&D budgets," he says. "They are not designed to make profits until they reach a lot more than $8 million in sales."

Pardo says his firm will become profitable when sales hit $6 million and he produces 20,000 collectors a year—the present combined total of Daystar and American Solar King. In fact, his company posted its first small operating profit in the second quarter of fiscal 1981.

He also maintains that despite the high cost of solar equipment—and despite the likely cutback in government help—high utility bills will spark consumer interest in collectors. "People are starting to call," he says. "I don't care if the government does nothing. As the price of gas and oil goes up, we will be able to market our products."

Perhaps. But against Pardo's view of the opportunities, one must balance one solar advocate's assessment of the industry right now: "There are a lot of us who feel we are on a kamikaze plane headed toward the middle of the Pacific." Even if the truth lies somewhere in between, Exxon may take comfort that small as it was, Daystar is now someone else's problem. ■

Solar perplexus at HUD

At least one of the many federal programs intended to help solar energy gave the industry a black eye instead. Under the plan, the Department of Housing & Urban Development doled out $19 million in grants to home builders who agreed to install solar heating systems free of charge in new and existing residences.

HUD found plenty of takers for its money, which was dispersed between 1976 and 1979. But there are few indications that builders and homeowners were sold on solar as a result. "Other than the giveaway, we never sold a single collector," says Murray Turner, director of sales and marketing for Perl-Mack Co., in Denver.

Perl-Mack got $216,500 from HUD to put solar heating systems on 25 new houses in Montbello, outside Denver. Interest boomed when buyers realized the $9,000 collectors were being installed for nothing. "People waited all night outside the office to buy a house with a collector," says Turner.

When the units went up, however, design and installation were major problems. Then there was maintenance. Collectors overheated and exploded, or built up acids and had to be replaced. David Moore, program manager at HUD, conceded that the agency-approved systems needed work: "For a time, problems weren't corrected as fast as we would have liked."

Solar house in Colorado

Even if the collectors had been trouble-free, Perl-Mack's Turner thinks the bottom line is what soured potential owners on putting up their own money. On a $9,000 collector, he says, it takes longer than eight years on average to get a return on the initial investment out of utility bill savings: "It doesn't pencil out."

Alvin Hill, a resident of Montbello who has had a HUD-financed solar heater for 3½ years, thinks the numbers are even worse. His collector was out of operation most of last winter. When it worked, he saved about $40 a month on utilities, paying $60 instead of $100. At that rate, leaving out the cost of money, it would take almost 20 years to earn back the investment. Says Hill, "If the government hadn't paid, I wouldn't have bought it."

HUD is no longer giving out money for solar homes. If Reagan's proposed budget cuts are approved by Congress, it will be out of the solar business altogether. As for Perl-Mack's solar sideline? Says Turner, "It's in deep storage now."—Van Wallach

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Closed stores along Joseph Campau in Hamtramck, Mich., facing the rubble that once was the Dodge plant that kept the stores in business **The new plant GM will build on the site will offset only a fraction of the area's total job losses.**

The Midwest, like New England long ago, is in a long industrial decline. Neither wishful thinking nor vast, expensive federal programs can change the facts.

Trouble in the Heartland

By Jerry Flint

THEY ARE GOING TO BE THE *new* New England," says a worried Rene McPherson, head of Stanford University's graduate school of business and formerly the chief executive of Dana Corp. "It scares me. I don't want to be oversimplistic, and I'm not trying to say that all is lost, but this has the makings of a Pearl Harbor. It's much worse than most people think."

What frightens McPherson is the present economic distress in the Midwest, the nation's industrial Heartland. It's not simply the magnitude of the numbers tracking the trouble, but the fundamental nature of the forces causing it. The prospect is appalling—not one of recession lasting for months, or even years, but of hard times lasting for several decades.

Some of the fundamentals at work—the long drift of capital, jobs and people from the Heartland to what's become known as the Sunbelt—are familiar enough. On top of that came the energy crisis, putting the midwestern states with their cold winters at a further disadvantage compared with warmer states to the south and west. But compounding these woes now, so suddenly that few yet comprehend it, is the likelihood that when the Heartland's key industries recover—autos, steel and the metalworking trades that go with them—a large fraction of the jobs these industries used to provide, perhaps as many as a fourth the jobs in some cases, will have disappeared. That means that when the national slump is over, the Midwest will still be in trouble. Ironically, the pain in the Midwest is increasing as the slump in the East seems to be abating: New England's unemployment rate is running well below today's national average and even the mid-Atlantic states with less reliance on heavy industry have better prospects.

Trouble in the Heartland—the five Great Lakes states of Ohio, Indiana, Michigan, Illinois and Wisconsin plus the western reaches of Pennsylvania and New York and a hunk of Missouri as well—would be trouble enough because of the number of lives and the amount of assets affected. The Heartland, were it a nation, would be one of the most powerful on earth, a match for anything in the world outside Japan, with well over 40 million people, a gross "national" product of more than $500 billion, an industrial complex producing 70% of America's steel, two-thirds of its autos, 60% of its machine tools, plus a solid, prosperous agricultural base from corn to peaches that is to food as Saudi Arabia is to oil. Its cities—Chicago, Detroit, Pittsburgh, Buffalo, Cleveland, Muncie, Milwaukee, St. Louis—are cast in nameplates on machinery around the world.

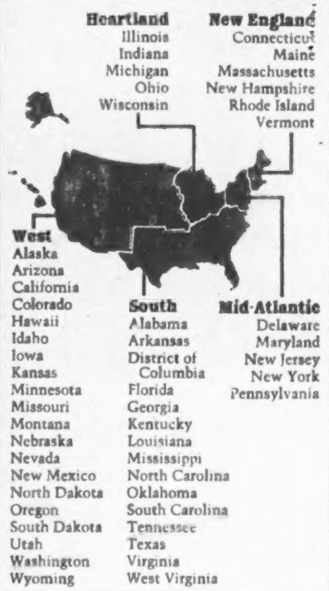
The Heartland's distress is all the more urgent because of its potential for bitter sectional strife. A national economic slump is one thing, regional recession quite another. And what's good for the nation as a whole may be painful to several of the states within it. The Reagan Administration, for example, hopes to slash $4.7 billion from the CETA and Trade Adjustment Assistance programs' funding in fiscal 1982. These two programs are designed to support faltering local economies, and midwestern congressmen and union leaders are not likely to accept these cuts without a fight. Beyond that is a greater question, now being raised, with great potential for rancorous wrangling: How far should the national government go—and how much should it spend—to save the old, to delay change, to encourage its citizens to stay when the jobs are moving elsewhere?

The auto industry's troubles, of course, have caused most of the pain. Some 200,000 workers are on indefinite layoff from major carmakers today, as many as 200,000 more from their

Jokie's in Chicago after the mill closed

Once there was even a lunch trade; now nothing.

Unemployment


Heartland
Illinois
Indiana
Michigan
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New England
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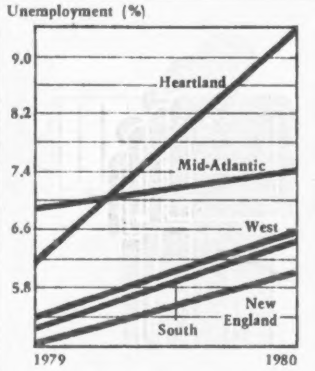
Louisiana
Mississippi
North Carolina
Oklahoma
South Carolina
Tennessee
Texas
Virginia
West Virginia
Mid-Atlantic
Delaware
Maryland
New Jersey
New York
Pennsylvania

Unemployment soared the past year in the Heartland while the remainder of the nation held its own. It will be a continuing problem even after the national economy makes its recovery.



suppliers. In its automotive divisions, Ford Motor's white-collar work force is down 25% in just 18 months.

Normally these workers would be recalled when production recovers. If recovery were slow in coming and those laid off had gone elsewhere, new men and women would step into these high-paying jobs, approaching $20 an hour in pay and fringes at the biggest companies. But those who have lived with the industry all their lives no longer expect normal times. "I just can't see the day when we return to the employment levels of 1979," says Douglas Fraser, president of the United Auto Workers union. Henry Ford II agrees. Even when the industry is back on its feet in the mid-1980s, he says sadly, "We're not going to need the number of people we needed before." A federal study projects the loss of 500,000 auto manufacturing jobs this coming decade. "The result could be enormous social and economic dislocation as the nation's industrial base permanently shrinks," it states.

Don't blame the auto companies. Blame yourselves. Every time you buy a Japanese car, you are voting against Detroit's sky-high wage scales and in favor of labor-saving automation. To compete with Japan's higher productivity and greater degree of automation, U.S. auto companies have no choice but to seek the same type of productivity.

General Motors has 425 robots working in its plants or on order. It expects to have 5,000 by 1985, 14,000 by 1990. Some GM executives foresee productivity gains of 50% in the next decade. That may save the industry. Indeed, it probably will. But it means the great river of auto jobs that built the region for three-fourths of a century will dry, despite recovery.

Donald Smith, director of the University of Michigan's Office of Industrial Development, after a recent survey of industry leaders, predicts that sharp increases in productivity combined with the swing to smaller cars and the increasing use of imported parts and engines will bring a 20% to 25% decline in the industry's employment. "What's happening to imported parts is almost as devastating as the loss in bodies [car imports]—$6 billion to $7 billion in parts," Smith notes. In Mexico, for example, Ford is building a $400 million engine plant, with most of the production to be exported back to the U.S. starting in the '84 model year. GM, too, is expanding parts and engine facilities south of the border. Says Smith: "I'm not an economist, but how many other jobs do you lose when this happens? How much does growth in service jobs slow?"

In steel, another Heartland industry, blue-collar employment was down to 285,000 late last year from 403,000 a decade earlier, while labor costs had jumped to $19.36 an hour from $5.68. One day a few weeks ago, 8,000 men and women jammed into the East Chicago, Ind. employment office of Inland Steel Co., breaking down part of the property fence because word was out the company was hiring 25 to 50 a week to cover turnover. Steel, too, must push up its productivity—more steel produced by fewer hands—to survive. Republic Steel, for example, just sold half its Alabama coal lands for $120 million and is likely to spend that money and more—much more—on such things as a continuous caster, which will potentially increase steel yield 12% without adding manpower.

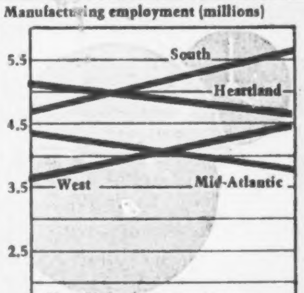
Can't those hundreds of thousands of displaced workers across eight states be retrained? "I say, what are they retraining them for?" asked Chrysler's Chairman Lee Iacocca in a conversation with Fraser of the UAW. "True story. Fraser says auto guys are going to sell McDonald's hamburgers. I say: 'You need training to sell McDonald's?' He says: 'Well, the government's going to pay for it.' "

Of course, service jobs grew everywhere, even in the Heartland. Not as many new service jobs there as in the Sunbelt, but they grew. There's a big difference, though. Representative John Seiberling (D–Ohio) of Akron, which lost 25,000 rubber-manufacturing jobs in the past quarter century, 5,000 of them last year alone, likens service jobs to taking in other people's washing: "They don't add that much to the economic base." Retail jobs pay one-third the rubber- or steelworker rates, he points out. "It's absolutely a lower standard of living, not really a substitute," Seiberling says.

It's not only the highly paid industrial workers who must adjust to the changes. As their economic bases shrink, state and local budgets will be squeezed. "I was down in Atlanta," recalled Detroit's Mayor Coleman Young the other day when he came to the capital to hear how the Reagan Administration was planning to chop aid. "They pay their policemen $14,000 to $15,000 a year. Detroit police now make $26,000. We had to lay off some very skilled, very desirable police officers. I tried to help and sent some down there. But

Production jobs

This basis of the Heartland's wealth fell 9% in the decade. Expected gains in productivity in key industries such as steel and autos would speed the decline in the coming decade.



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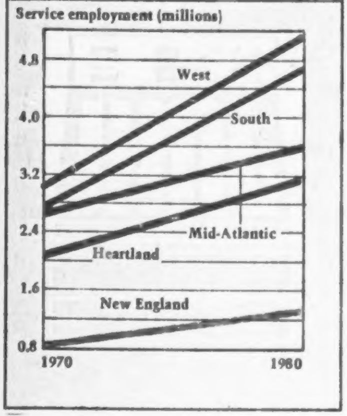
Service jobs

These rose in the Heartland but not nearly as fast as elsewhere: up 49%, against 55% in the West, 70% in the South. Worse, these jobs don't pay as well as work in heavy industry.



they came back; the money wasn't enough. Houston's the same."

The service trade is hurt. Down at Jokie's bar the other week, on Chicago's South Side, steel country, it was only 8:15 at night but owner George "Jokie" Drakulich was ready to shut for the night. A 3,500-employee steel company had closed for good last year. "If this would have happened when I first got into the business, I would have quit long ago. But I'll be 62 in March, and I'm waiting for a pension," says Jokie. "I used to do a lunch trade business but now there's nothing. Guys used to stop by after their shifts for a few drinks. Now they're staying home and watching TV," he says as the few customers get ready to push off.

"I used to stay open until midnight, now I usually close at nine. I get frightened staying open so late with so few people in here," says Maria Poloza, who with her husband John owns the Golden Shell Restaurant and Bar on the South Side. There's still business, but it's not the same. "My staff was 35 people, now it's 30."

"Chicago, New York, Cleveland, those used to be the places to go to work. Now they've gone to hell with the dogs," says John Medina of Chicago. He's still working at an auto plant, but two brothers lost steelmaking jobs. "Now you got to go to Houston, Atlanta for jobs," he says. But his brothers don't want to leave the Windy City and their family. Says Medina: "It's darker and darker."

Farsighted political leaders understand the change coming. "No doubt the Midwest has a long period of contraction ahead," says Doug DeGood, the mayor of Toledo, an industrial center between Cleveland and Detroit, "but if cities like Toledo diversify in the next ten years away from dependence on the manufacturing base, we can buck the trend. The public and the private leadership know it has to be done." The only trouble, he admits, is that they don't know how to do it yet.

It's difficult not to be pessimistic about the Midwest. "It's like the old joke—what to do in a nuclear attack," says Amitai Etzioni, director of the Center for Policy Research in Washington but better known as the father of *reindustrialization*. "Put on a white sheet, then walk slowly to the cemetery and bury yourself. Why slowly? To avoid panic."

"Give us a shot," pleads Mayor DeGood. "We evolved into what we are since the Civil War and the Industrial Revolution. We aren't going to turn that around in 24 months."

Among the nastiest imponderables in the Heartland's future is the impact of further energy price boosts. It's not that energy-importing states won't get their fair share of oil or gas or coal; it's that the price they will have to pay could impoverish them. In 1979 the Treasury Department had predicted that oil would produce state revenues of $120 billion this decade, with most flowing to Texas, Alaska, Louisiana and California. That estimate, based on $30-a-barrel oil and assuming further price increases of 2% annually, seems hopelessly out of date.

Such numbers have grave implications, not only for the Midwest. "Half the country is nearly bankrupt, many of its major cities are pools of unemployment and unrest, and the other half swimming in oil, industry and wealth," wrote Felix Rohatyn, the Lazard Frères partner who masterminded the restructuring of New York City's finances. Rohatyn has been writing thoughtfully for such publications as the *New York Review of Books* on the dangerous stresses this decline of older industrial cities could place on the very fabric—social, political—that binds our nation. "Not even a country as large as ours," he wrote last month, "can maintain its democratic institutions half rich and half poor, especially when economic trends will make it very apparent that for the 'have-nots' things will get worse and not better."

The Heartland has substantial coal—15% of the nation's production. But the increasing use of western coal, and western severance taxes, are seen as another revenue-draining threat. "If the current tax rates do not change, the states of Minnesota, Iowa, Illinois, Indiana, Wisconsin, Michigan, Ohio and New York alone will pay $240.4 million in coal severance taxes each year to Montana and Wyoming by 1987," say area utilities and coal companies.

"When we came to expanding our manufacturing capacity we chose to expand outside Ohio," says Stuart Northrup, chairman of Huffy Corp., the big Miamisburg, Ohio bicycle maker. "We went southwest to Oklahoma. Many companies will." His new Sunbelt plant is small, 250 workers now, but it could expand to 600 or 1,000. "Building the plant there might have cost a little less, but that's not really a great factor," he says. For Huffy, the certainty of good supplies of natural gas for heat-treating was a major consideration.

Remember, the energy and industrial troubles come on top of the older, long-term trend of slowing growth.

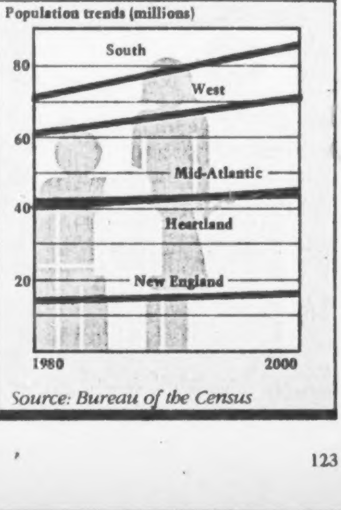
Take population: In the past decade it grew just 3.5% while the South and West were up 20%. Over the next 20 years census projections put the Heartland population growth at 7%, while the South and West is expected to grow 25%. But these estimates were made before the effects were clear of the dramatic changes that are now taking place.

Take jobs: The Heartland states lost 361,000 manufacturing jobs in the past ten years.

Take the federal dollars and where they go: In the 1975-79 years, it's calculated that the Heartland had a negative "balance of payments" with the national government of $110 billion, while the South

Population

People will continue to leave the Heartland. They should be encouraged to move, say some. Welfare and layoff cuts, as Reagan plans, could speed the shift beyond projections.



Source: Bureau of the Census

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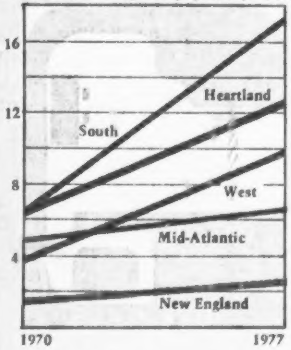
New equipment

Continued strong spending in the Heartland is going to reflect efforts by the auto and steel industries to get more competitive. But the aim will be productivity, not job growth.

Investment, new capital equipment ($billions)



and West took in better than $100 billion more than they sent to Washington. The Northeast-Midwest congressional coalition complains that the new Reagan budget would worsen the situation, cutting social welfare programs in high-unemployment areas, while the energy-rich can not only afford the cuts but make them up with taxes on energy exports as well.

"The proposed cuts, in effect, leave declining regions to their own fate, a policy that in the long run will spell economic disaster for the entire country. For every region will suffer if one region is allowed to go under," the coalition complains.

The Midwest isn't going to become a desert. Some businesses and localities, even a good many, will prosper during the worst of change. "Nothing remains the same, and that isn't particularly bad," says William Hewitt, chairman of Deere & Co. "The manufacture of heavy products is likely to remain here. Our products are heavy. Caterpillar's, International Harvester's, others' too. We can't move them to the Sunbelt. The same applies to steel." He speaks proudly of Deere's farm implement plants in Iowa and Illinois. "The work ethic is still alive there." Talk of long-term stagnation for the region, he says, "may sound plausible, but it's not necessarily going to turn out that way."

This isn't all bad. You don't always have to grow," says Henry Ford comfortingly. "But the transition will be difficult. It is always difficult."

"Survival of the fittest," agrees Enrie Nagy, president of Riblet Products Corp. in Elkhart, Ind. "Everyone isn't going to hell." His company makes mobile-home underpinnings. He sees signs of change in that elusive but essential thing called the business climate. "The workers are okay, people know they can't screw off anymore," he says. In a Pennsylvania plant, he says, the union "got a fourth of what it really wanted," but that kept the plant going.

Some also predict that the wage and social problems that bedeviled the Heartland will take hold in the Sunbelt, too, slowing its growth and keeping jobs up north. Others are convinced water will make the difference. "They've got water problems in the Southwest, and water is as important as oil," says Mayor Richard Hatcher of Gary, Ind. "Water," says Theodore Mecke, president of Detroit's Economic Club, "we've got it and the rest of those buggers don't."

"With prosperity comes the price tag, the union," says Mayor Coleman Young of Detroit. "They'll be paying the same kinds of bills as the frostbelt one day, and when it's evened out it will be very, very difficult to pit a group of workers in Detroit against workers in Savannah."

The gap between labor costs prevailing in the Midwest and those in the less heavily unionized South and West is still sizable—the Bureau of Labor Statistics reports that the manufacturing wage rate in Illinois is $8.53 an hour, 14% higher than the $7.48 an hour prevailing in Texas—and it will not quickly disappear. Exploitation? Not at all. Living costs are generally lower in the Sunbelt, too. It is, after all, high labor rates that helped price U.S. automobiles and steel out of the market, although union leaders will argue that high productivity and high industry profits justified the pay.

Labor itself is coming to understand the problem, but how do you ask your members, already squeezed by inflation and accustomed to living well, to take pay cuts? "There is a hell of a difference," the UAW's Fraser reminds, "between cutting pay and taking reductions [in the size of gains]." But organized labor's willingness to narrow that gap somewhat is apparent. Says Fraser: "We have to face up to economic reality."

Fraser doesn't even get upset at the thought of GM or Ford coming in and asking to renegotiate his contract. He admits he would rather do it at the end of an old contract than in the middle of one. "They have to persuade us that they have a compelling case, and a reason to do it before the contract expires."

GM will seek to do just that later this year. Asking isn't getting, of course, but, says a GM executive, "We would have never even asked before."

There's even talk, and some action, about dealing with the complaints about business taxes. Michigan, for example, recently removed the voluntary quit as a justification for receiving unemployment compensation, and that state tightened up its workmen's compensation rules.

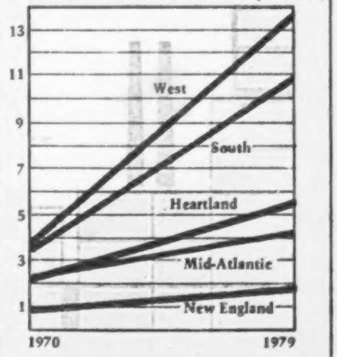
How effective some of these changes will be in holding down costs is another question. The political tradeoff is usually—and was in this case—higher payment rates, which raise costs immediately. "The savings will not be immediate; they will depend on detailed litigation through the claims process, and we can't tell how tough it will be," says a chamber of commerce official. "The political talk is upbeat, but lots of things haven't changed, and platitudes about the business climate aren't going to change them."

In the effort to alter the Midwest's economic future, powerful pressures are building to get the federal government into the act. "I raised this in the White House the other day," said Fraser of the UAW. "If we design [business] tax programs across the board, we invite companies to pick up and leave the snowbelt for the Sunbelt. But if we condition tax changes, they can be encouraged to remain." But after Reagan detailed his business tax cuts without any tilt against the Sunbelt, the AFL-CIO

New building

Dollars for new plant poured into the South and West in the last decade. Heartland leaders fear Reagan's depreciation reform will make it easier for industry to relocate elsewhere.

Investment, nonresidential structures ($billions)



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complained it could encourage industrial migration from areas of already high unemployment.

Sunbelt leaders, of course, may not like that. "The trouble is, we need to get more than our share," says William Hackett Jr., director of Mississippi's Economic Development Board. The magnolia state ranked seventh in the nation in net jobs gained the past decade, and brags about 385 new or expanded businesses last year adding 11,000 jobs and $970 million in investment capital. Even with continued gains, which are expected, the state's per capita personal income, lowest in the country now at $6,643, will be only 81% of the national average in the year 2000, the Commerce Department estimates.

Mississippi, like the Heartland, wants high-tech jobs. "We're not going to turn Mississippi into Silicon Valley over the next five years, but we're moving away from the low-wage, highly labor-intensive factors of the past 20 years toward higher-paying, high-technology jobs," says Dick Molpus, one of the governor's aides.

Thoughtful Heartland businessmen are becoming aware of their responsibilities to their region. Giant GM, for example, plans to build a new car assembly plant that would employ 5,000 to 6,000 on the site of Chrysler's old Dodge plant in Hamtramck, Mich. GM will be getting much help through the workings of the Urban Development grant program. Under it, Michigan's Republican Governor, William Milliken, came back from Washington with Reagan's pledge of $30 million in federal dollars, despite all the budget-cutting talk, to help clear the site. But those jobs won't help the tens of thousands of Chrysler and Ford workers who are out of work now. GM will probably be able to fill the plant from its own jobless rolls. Of course, if Chrysler should go down, another 160,000 people working for Chrysler and its suppliers could be out of work.

But to build its new plant GM needs more ground space than the old multistoried Chrysler factory used. Some 1,300 residences, 16 schools, 25 churches and 150 businesses must be cleared, too. A few years ago protests would have made this impossible. Today people who might have criticized the company hail it. "In candor, I've got to give them credit for a sense of social responsibility," says Fraser of the union.

But how far should the government go? It cannot, after all, turn back the tide of history. If the past decade has taught us anything it should have taught us the clear limits on government's ability to change the world. "What we're looking at is a historical progression of a transition that started in New England and spread into the mid-Atlantic," says Tom Cochran, executive director of the Northeast-Midwest Institute. "New England, after two generations of pain, is emerging. The mid-Atlantic states are right in the middle of transition." Now, Cochran says, it's the Midwest that is taking the heaviest shocks. "This is a very structural recession, permanent change from a heavily industrial area into something more diverse. I'm not sure public policy is decisive or that state level action can affect such change, but it can affect the depth of pain at the margins."

"Pain at the margin" is extraordinarily difficult to address wisely. If job opportunities don't grow fast enough, people will ultimately have to move on, Pierre de Visé, professor of urban sciences at the University of Illinois (Chicago), points out. Aid that lowers the incentive of people to move for work ultimately becomes insupportable. "It's necessary," de Visé says, "to have a fine balance between the welfare function and the

Moving on

Scott and Susan in Dallas

Scott Finlinson, 23, made the trek from the Midwest to Dallas a year ago. "When I was 19, I had my own business and I was making $21,000 a year," he recalls. "I'm not making that now, but I wouldn't go back."

Says his wife, Susan, "I miss my family a lot but that's all I miss."

In the last decade 1.5 million midwesterners—net—moved from the five-state Heartland. The southern and western states had a net immigration of 7.4 million. Those trends seem likely to continue in the next decade, eroding the Heartland's economic and political strength.

Why do they go? The reasons are not always, or only, economic. Scott Finlinson just wanted to leave Royal Oak, Mich., an old suburb bordering Detroit—leave the snow, leave that life. "I ran my own company, carpentry. I had three or four people working for me at any given time. I did real good work but I was always afraid my customers were going to sue me. Any problem and they wouldn't pay."

He and his folks picked up a bar, Dale and Sally's Dog House, outside Chrysler's old Hamtramck car plant. By then word was out that the plant was closing, so they got the place cheap. "We thought someone would come in and use that property," he explains. No one came. Without the car plant, the neighborhood collapsed. With GM planning to build a new plant on the site, the Dog House may prosper yet, but it will be too late for the Finlinsons. The bar is up for sale. Scott helped move his folks down to Dallas. Dale got a truck-driving job. Sally is teaching real estate, which she had done before that business collapsed in depressed Detroit. They got those jobs in Dallas only days after arriving.

Scott didn't intend to move to Dallas. He and Sue left Royal Oak after Christmas in 1979, looked around Florida, didn't care for it. "All we could do was head west," he says, "because you can't go east from there." They found Baton Rouge too "hicky," Houston too big. The next stop was Dallas. "That," says Sue, "is where we ran out of money."

Scott drove a truck for a few months to get on his feet, then found a carpentry job with a major realty firm paying $19,500. Sue is the secretary (at $13,000) for seven Japanese executives at American Yazaki Corp., which sells solar air-conditioning. They have a pleasant one-bedroom apartment, a pickup truck and a sports car. "I have full medical coverage, 20% off my rent [they live in his employer's project], 2-for-1 drinks at the company bar, and it was 70 degrees the third day of January."

"The night life's good," says Susan—the bars, the race-it-yourself auto track, the apartment pools, the hot tubs.

After a year in Texas they still aren't over the difference in attitudes between the regions. "When I worked up there, you didn't have to be polite to customers. It seemed like a waste of time," Sue says. "Here people say 'Hi' to you, they wave from cars," Scott says. Sometimes, they find it a little much. "You can't get away from people," Sue says. Then again, they don't know many real Texans. "Most of the people we know here," she says, "are from New York or Chicago or the Northeast."—J.F.

disruption of the marketplace in which some people don't move."

That issue was faced by a Presidential commission, which noted the decline in incentives to move and complained: "When the federal government steps in to try to alter these dynamics, it generates a flood of demands that may sap the initiative of urban governments to act on their own." Billions of dollars have been spent trying to revitalize the old cities without much luck, said the report. "Thus, as the major long-term goal of federal urban policy, the Commission urges government to place greater emphasis on retraining and relocation assistance efforts designed to link people with economic opportunity, wherever that opportunity might be.

"In short, much greater attention should be given to developing strategies that allow people to adjust to shifts in the location of economic opportunity. Assisting people to follow jobs, rather than concentrating solely on attempting to steer jobs to where people are, is a major goal in any adjustment strategy."

There was a mighty fuss, and a clear case in point, in the U.K. last month over the closing of the big Linwood automobile plant near Glasgow. Its present owner, the French firm Peugeot, said there was no way it could be persuaded to keep the plant open, subsidies be damned. The plant had been a jinx. Its builder, Rootes Motors, went broke; Chrysler bought the plant, lost a bundle and sold it to Peugeot; the latter, tired of red ink, is shutting it down.

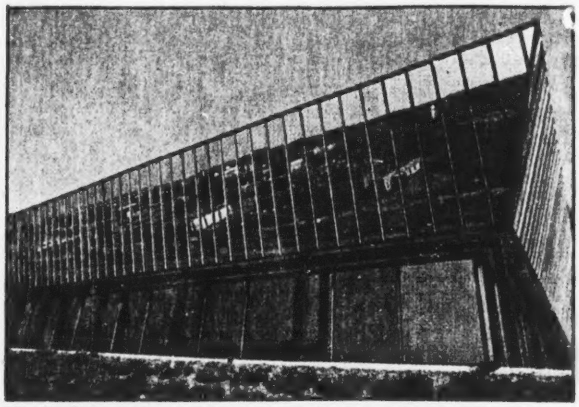
The lesson of Linwood is unmistakable. The building of this plant was not a business decision; it was built with heavy government subsidies in a misguided effort to help revive a declining industrial area. At great cost to the taxpayer, Linwood provided temporary work for a lot of people but nearly broke three owners and contributed to the decline of the British auto industry. In the end the jobs will go, too.

Predicting that America's industrial Heartland is in for a generation of economic slowdown isn't pleasant, but ignoring facts won't help matters. The Midwest does not need Linwoods—plants built with government subsidies but which serve no economic purpose. Such projects are a cruel hoax on taxpayers and ultimately on the workers. Listen to Daniel Garnick, the top regional economics expert at the government's Bureau of Economic Analysis: "Millions are coming on stream in the Third World, literate people who can produce textiles and steel and cars," he says. The productivity gains and industries that will grow, not shrink, must be found quickly. "We can't try to subsidize what doesn't work."

Faster depreciation writeoffs on new plant and equipment, as proposed by the new Administration, would be a powerful incentive to build new plants, but as union leader Fraser warns, that means an incentive to put the new facilities outside the Heartland states. Cuts in layoff pay through the trade assistance dole and unemployment will surely cause more pain at the margin. Cutbacks in the growth of food stamp money and other welfare benefits will squeeze not only the programs' beneficiaries, but eventually curb the big job-producing bureaucracies tied to the welfare system. The spending jump in defense, of course, will transfer more Heartland wealth to the major defense contracting states in the Sunbelt.

All these will be a kick to the Heartland, just when it's down. Then again, it may be the kick to help people in the Heartland—and their fellow citizens elsewhere—realize just how much trouble they've got. ■

Back from the dead



Nixdorf Computer on Route 128, high-tech highway

Unemployment in the six-state New England region was only 6.0% last year, *vs.* an average 7.2% in the other 44 states—strong evidence that after more than a half-century snooze, New England is waking up.

The comparative strength owes nothing to textiles, watchmaking or whaling. "Since the early 1960s the economy has been diversifying itself from traditional industry," says Christine Knowles, director of economic development at the New England Regional Commission. Lynn Browne, an economist with the Federal Reserve Bank of Boston, says, "The basic [economic] conditions look encouraging. Our high-technology industries are growing rapidly." Browne is not only talking about the companies along famed Route 128 outside Boston. The high-tech rub-off is felt in southern New Hampshire, Rhode Island and southern Maine as well.

The region's place in the national economy, however, remains modest compared to its past. New England had the nation's first large industry. Shipowners and traders looking for a way to invest their profits found it in textiles, shoes and paper. The immigrants and local women provided the toil and cheap labor. Eli Whitney and other ingenious inventors designed new machinery. The region's streams provided power.

The land of Thoreau and Emerson, however, was also one of the first to show industrial decline. The lumber industry folded. Other ports with better rail connections to the West took the trade. The Immigration Act of 1924 cut the flow of low-pay workers. After World War I the South offered deeper pools of low-wage earners. In the 1930s inexpensive southern power was another competitive factor.

More shocks followed after World War II. Textile jobs fell from 280,000 in 1947 to 99,000 in 1964. The jobless rate skyrocketed in the mill towns: 12% in Lowell and Fall River, 18% in New Bedford, 26% in Lawrence.

"In the early 1970s things were pretty grim," says economist Browne. "The recession came too rapidly." Cutbacks in aerospace and defense contracts didn't help.

Now, the worst seems over. There has been a slow but more or less steady pickup since 1975. Schools like Harvard and MIT have indirectly spurred growth. As for the future? Says John Hekman, an economist at Boston College, "A lot of people get worried because they think New England will get tied to some industry, as we did before with textiles. But products turn over rapidly. Our biggest resource is skilled labor."—**Desiree French**

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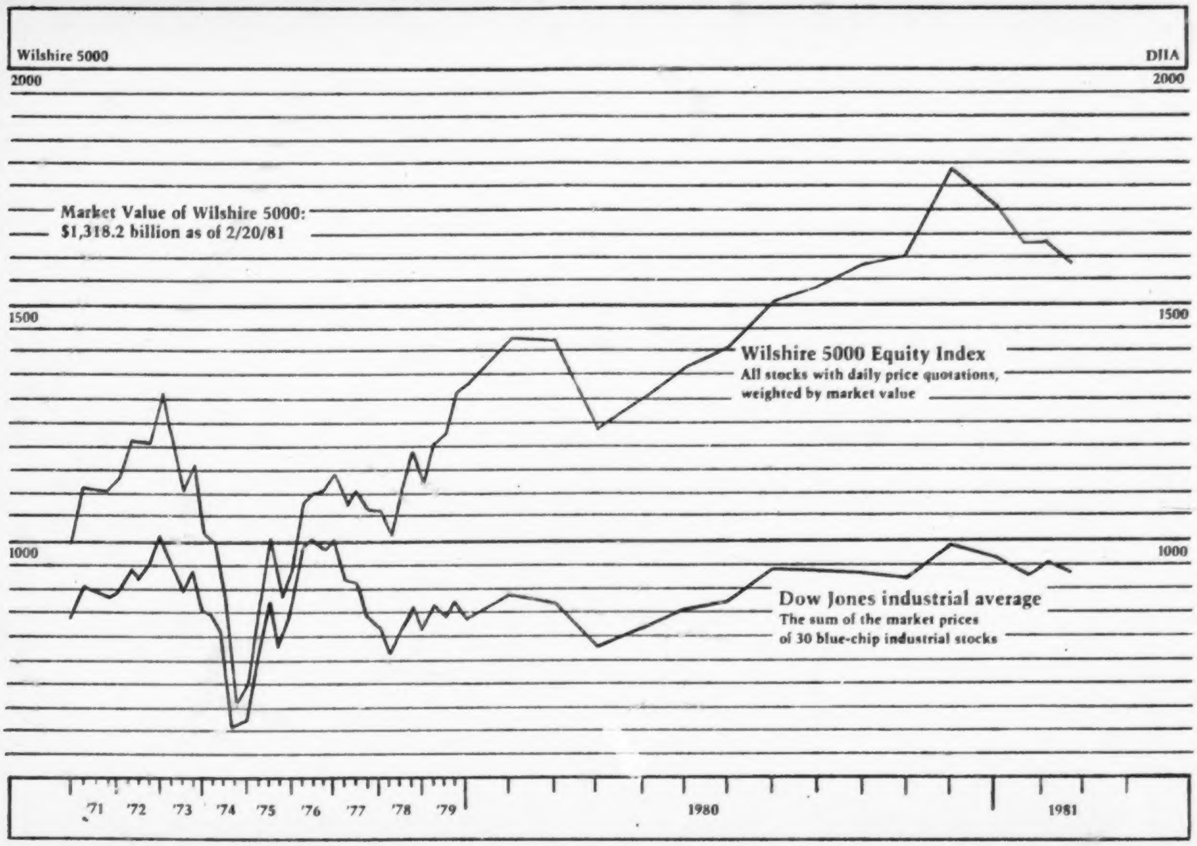
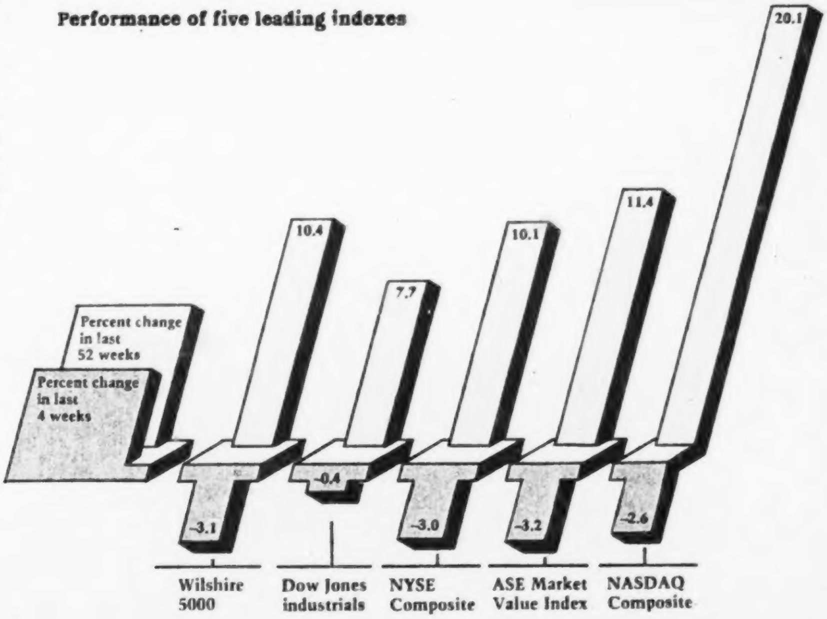
The Forbes/Wilshire 5000 Review



Close-up On The Equity Markets

Down, down, down. That's where each market index is heading—and the Wilshire Index, of course, is no exception. In the current reporting period, however, the Dow was surprisingly strong. And the NASDAQ Composite, which has been the best of a bad lot for much of 1981, seems finally to be in a full-fledged decline. Now, if the Dow starts posting real gains, it could herald a back-to-the-basics market rally.

Performance of five leading indexes



Note: All data for periods ending 2/20/81. Prepared by Wilshire Associates, Santa Monica, Calif.

The continuing stock buildup has led to a dramatic price decline—one-third of the 1977 level—the lowest since mid-1976.

AFLOAT IN COCOA

By Stanley W. Angrist

Frequently I have recommended purchasing a commodity when no one else wanted it, or selling when everyone else couldn't get enough of it. This trading strategy is not without its risks and, of course, must be implemented only in conjunction with unmovable stop-loss orders. Such a strategy has caused me to take a look at cocoa.

We now appear to be in the fourth year of a production surplus, as the fifth major postwar bear cycle continues. Shearson Loeb Rhoades, Inc. estimates this year's output at 1.6 million metric tons, which is only slightly below the world record 1979-80 crop. The estimate for this year's crop—as well as the recent annual production and consumption figures for the five major producers—is shown in the table below.

The continuing stock buildup has led to a dramatic price decline to the lowest levels since mid-1976. As recently as 1977 the New York cocoa contract sold for as high as $5,700 per metric ton ($2.40 per pound). Now prices have sunk below $1,900 per metric ton (86 cents per pound).

It is not easy to imitate OPEC, especially if the commodity involved is not an absolute necessity, but the majority of the cocoa producers have certainly tried. It is especially difficult if the leading consuming nation (the U.S.) and the leading producing nation (the Ivory Coast) refuse to sign the International Cocoa Agreement. The agreement, which becomes effective in April, is supposed to go into effect when the five-day moving average of New York and London futures drops below $1.10 per pound ($2,425 per metric ton). At that time, the manager of the buffer stock would start to buy. If the price rises to $1.50 per pound ($3,305 per ton) the manager would start to sell. Intervention prices are to be adjusted up or down depending upon the quantities of cocoa bought or sold in any one year.

However, without the U.S. and the Ivory Coast participating, the agreement is likely to be a chocolate tiger. The intervention price that the agreement is to defend is substantially higher than the world market price and would tend to inhibit consumption, thus doing more harm than good in the long run. Moreover, given the fact that the buffer fund has only $230 million, the manager could only purchase 95,000 tons at $2,425 per ton, which is only 21% of the Oct. 1, 1980 carryover.

Despite falling prices, grindings and imports have declined, and these trends are expected to continue. Also retarding consumption is the trend away from chocolates toward more health-related snack foods. Per-capita consumption in the U.S. has dropped by 25% since 1972. Consumption in the U.K. has also fallen every year since 1976.

Beginning with the crop year ended in 1978, carryover stocks have increased every year; indeed Shearson estimates ending stocks this year at 552,000 metric tons (USDA estimate, 580,000 metric tons). The ending stocks in 1977 were 158,000 metric tons, giving rise to a 249% increase in stocks in just four years.

Even with all this bearish news I can still see room for a modest long position. I believe that at some point chocolate producers will attempt to pass on the effects of these lower cocoa prices, which will act as a spur to consumption. And even in hard economic times lots of folks will indulge themselves with a chocolate bar, even if they can't indulge themselves with a steak.

Traders who can withstand the obvious risk might try a long position in the May contract at under $2,000 per ton. I would risk no more than $100 per ton from my entry point per contract, for a risk of $1,000. I would shoot for a $200-per-ton profit ($2,000 per contract). The margin on such a position would be about $2,000, while the round-turn commission would be about $80.

Another way of trading cocoa would be a spread of long May/short July, with the July at least at a $75-per-ton premium. Full carrying charges should be about $100 per ton. I would look for the spread to narrow by at least $50 per ton ($500 per spread). And I would risk no more than $25 per ton ($250 per spread). The margin on this trade would be about $1,000, with a round-turn commission of $100 or so. ■

Let them eat chocolate

Worldwide cocoa production has been robust in recent years, including the estimated production for the 1980-81 crop year. Alas, consumption has failed to keep up with production.

					1980–81	
Cocoa producers	**1976–77**	**1977–78**	**1978–79**	**1979–80**	**USDA est**	**Shearson est**
Brazil	234	283	314	294	325	330
Ivory Coast	230	304	312	355	360	340
Ghana	320	268	250	295	280	275
Cameroons	82	108	106	123	120	115
Nigeria	165	205	137	170	160	175
Five leading producers	1,031	1,168	1,119	1,237	1,245	1,235
Others	309	335	362	374	388	365
Total production	1,340	1,503	1,481	1,611	1,633	1,600
Consumption	1,361	1,387	1,426	1,451	1,480	1,475

Oct. 1 to Sept. 30 seasons. *Sources: Gill & Duffus, USDA and Shearson Loeb Rhoades, Inc.*

Stanley W. Angrist is a professor at Carnegie-Mellon University and the author of Sensible Speculating in Commodities.

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While gasoline at the pump is bucking $1.50 a gallon, many major oil companies are selling at rock-bottom multiples.

Cheap oil?

By Steve Kichen

WITH MANY OIL STOCKS off 30% or more from their late fall 1980 highs, analyst Sanford L. Margoshes of Bache Halsey Stuart Shields now feels that these stocks have corrected and selective buying is in order. He is not alone. "These bloody things are cheap," says Goldman, Sachs oil analyst Todd L. Bergman. As we point out elsewhere *(p. 172)*, in a few months the energy stocks have given up nearly all their 1980 gains.

While a down first quarter is expected for oils, estimates now generally predict higher earnings in 1981. Even though the windfall profits tax will mean that about 80% of the additional income resulting from decontrol will end up in the hands of federal and state governments, decontrol will still mean as much as $2 billion in additional profits for the industry. That means Gulf is selling at a multiple of just 4.5 times projected 1981 earnings, Mobil at 4.9 and Exxon at 5.1.

Laurence E. Tween, oil analyst at Kidder, Peabody, is cautious about earnings projections, particularly for the domestic companies. He notes that some lower numbers have started to trickle in. "Until recently we have looked upon domestic oil stocks as good inflation hedges," he says. "But with expectations that Reagan will get a firm handle on inflation, Kidder deemphasized oils."

But the recent record shows that periods of oil oversupply don't tend to last very long. After all, economic recovery, OPEC cutbacks, political instability or international conflicts all can cause an almost immediate tightening up of supplies and upward pressure on prices. Tween: "Looking down the road over two or three years the outlook for the oil industry is quite favorable." He expects a better political climate, stepped up domestic drilling and exploration and higher oil prices that will make enhanced recovery methods economically viable.

How much lower can many of these companies go—especially those with good prospects for increased production in the U.S.? Unless you think OPEC is going to collapse, can anyone believe the oils are in serious trouble? Thus it's hard to understand why oil stocks are available at 3 to 6 times earnings at a time when the market as a whole commands about 8 times earnings.

Black gold?

The present price/earnings multiples of most major oil companies are low relative to historical levels and to the market as a whole. If 1981 earnings forecasts are correct, multiples could fall lower in a lackluster market.

Company[1]	Recent price	Latest 12-month earnings per share	1981 estimated earnings per share[2]	—Price/earnings ratio— latest 12 months	1981 estimated	16-week price range	% decline from recent high	Indicated yield
Amerada Hess	35	$6.44	$6.45	5.4	5.4	54¾–34⅜	–36%	3.1%
Ashland Oil	29¾	4.91	5.00	6.1	6.0	45¾–29⅜	–35	8.1
Atlantic Richfield	56¾	6.64	7.20	8.5	7.9	74⅜–56	–24	3.9
British Petroleum (ADR)	36	9.28	9.65	3.9	3.7	48 –35	–25	5.1
Cities Service	44¾	5.73	6.85	7.8	6.5	61¼–40¾	–27	3.6
Coastal Corp	30¾	4.12	5.35	7.5	5.7	52½–30¾	–41	1.3
Conoco	60	9.52	10.00	6.3	6.0	73 –56⅞	–18	4.3
Exxon	71	13.01	13.90	5.5	5.1	88¾–71	–20	8.5
Getty Oil	75¼	10.60	12.25	7.1	6.1	108¼–72½	–30	2.7
Gulf Oil	37⅞	7.21	8.50	5.3	4.5	52¾–37½	–28	6.6
Marathon Oil	58	6.27	8.75	9.3	6.6	82½–57	–30	3.4
Mobil	69⅜	13.27	14.30	5.2	4.9	88½–69⅛	–22	5.8
Murphy Oil	37¾	4.03	4.90	9.4	7.7	64 –36⅜	–41	2.0
Natomas	29⅛	4.02	4.75	7.2	6.1	45¾–28½	–36	4.1
Occidental Petroleum	29½	8.82	7.50	3.3	3.9	39⅛–29⅜	–25	7.5
Pennzoil	40½	5.90	6.50	6.9	6.2	62½–38⅝	–35	5.4
Phillips Petroleum	46¾	7.01	7.75	6.7	6.0	62⅞–46	–26	4.7
Royal Dutch Petroleum	87¼	28.32	27.00	3.1	3.2	112¼–84	–22	7.4
Shell Oil	45⅜	4.99	5.85	9.1	7.8	65½–45¼	–31	3.5
Standard Oil of Calif	45⅝	7.02	7.65	6.5	6.0	58¾–42¼	–22	4.4
Standard Oil (Ind)	65½	6.54	7.70	10.0	8.5	99½–64¾	–34	4.0
Standard Oil (Ohio)	56	7.37	8.70	7.6	6.4	91½–55⅝	–39	3.2
Sun	41⅛	5.92	7.85	6.9	5.2	59⅝–37¼	–31	4.4
Texaco	39	8.31	8.80	4.7	4.4	54⅜–38¼	–28	6.7
Union Oil of Calif	38⅛	3.73	4.40	10.2	8.7	56½–36½	–33	2.1

[1] All companies are listed on the New York Stock Exchange. [2] Source: Standard & Poor's *The Earnings Forecaster*.

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Believe it or not, some companies don't care about sharp prime rate fluctuations. Why? They happen to be long-term debt-free.

The self-financers

By Steve Kichen

With the prime rate currently at a prohibitive 19% and the future levels of rates never more uncertain, debt-free companies with good earnings growth records are looking particularly attractive. As essentially self-financing companies, they are not prone to the rapid earnings declines that often afflict highly leveraged firms. Self-financers are not burdened by high interest rate payments if there's an economic downturn.

The 76 companies on the list below represent the cream of the crop of self-financers. Not only are they all free of long-term debt, but they all have averaged at least a 15% return on equity for the latest 5 years and the latest 12 months. As the average 12-month return on equity for the 1,041 companies surveyed in the most recent FORBES Annual Report on American Industry is 16.1%, most of the companies below are better than average. Many, such as American Welding & Manufacturing, with a 32.7% return on equity for the last 12 months, show outstanding performance.

The old adage that small, growing companies are perennially cash-starved and unable to finance their future is challenged by our list. Take Astrosystems and Comserv, two companies involved in the data-processing field. Both have a sales base of less than $10 million and both show very high returns on equity for the latest 12 months.

In fact, while several big corporations made our debt-free list—Dun & Bradstreet, suppliers of business information and financial publisher; Roadway Express, a trucking company; and Schering-Plough, an ethical drug manufacturer—most are small, growth companies. Several sell at comparatively low earnings multiples.

Take $16 million (sales) Drexler Technology, for example, a supplier of photoplates and photochemicals for the semiconductor industry. Drexler has a 5-year earnings growth rate of 110%. Its present price/earnings multiple of 21.5 is not extraordinary for a debt-free high-technology growth company.

Debt-free companies

The following companies have no long-term debt, and a return on equity in recent years that has averaged at least 15%. Most of them have been able to finance superior earnings growth internally—a great advantage with the prime at 19%.

			5-year		Latest 12 months				Book
Company[1] principal business	Recent price	P/E ratio	EPS growth rate	return on equity	return on equity	sales (mil)	income (mil)	earnings per share	value per share
American Filtrona tobacco filters	13¼	5.0	13%	17.3%	17.2%	$ 92.1	$ 6.1	$2.64	$15.36
American Welding & Mfg metal fabricating	67	8.2	35	15.1	32.7	133.6	10.3	8.16	24.93
n **Amsted Industries** railroad equipment	43	7.0	17	21.3	19.5	910.0	66.4	6.16	31.51
Astrosystems computer equipment	4	9.5	19	17.5	24.4	6.9	1.4	0.42	1.72
a **Automatic Switch** electrical equipment	66	31.1	24	16.9	17.8	142.6	17.4	2.12	11.88
BBDO International advertising	42¼	8.5	15	53.6	59.4	157.2	12.5	4.97	8.36
Bob Evans Farms food processing	25	11.9	30	31.4	26.4	135.9	11.8	2.10	7.95
Bolar Pharmaceutical generic ethical drugs	15½	31.6	53	33.9	31.2	11.0	1.9	0.49	1.57
Brenco railroad equipment	20¼	13.3	23	28.0	26.8	88.1	15.0	1.52	5.68
Brooks Fashion Stores retail	16½	10.6	22	50.2	18.6	141.5	8.9	1.55	8.33
Callon Petroleum oil and gas production	15⅞	72.2	–4	17.8	19.1	8.5	1.4	0.22	1.15
n **Campbell Red Lake** gold mining	49¾	18.3	40	40.7	58.4	83.5	43.6	2.72	4.66
n **CBI Industries** metal fabricating	49½	14.5	8	20.4	18.0	674.7	61.6	3.41	18.97

[1] All companies listed on the over-the-counter market except those labeled (a) American Stock Exchange, (n) New York Stock Exchange, (p) Pacific Stock Exchange and (t) Toronto Stock Exchange.

[2] Other income not shown.

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Statistical Spotlight

Debt-free companies

	Company[1] principal business	Recent price	P/E ratio	5-year		Latest 12 months				Book value per share
				EPS growth rate	return on equity	return on equity	sales (mil)	income (mil)	earnings per share	
	Chemed specialty chemicals	39½	13.2	13%	19.9%	18.0%	$ 365.6	$ 29.3	$3.00	$16.70
	Comserv computer services and software	14½	18.8	50	16.6	31.0	9.6	0.8	0.77	2.48
t	**Corp Falconbridge Copper** copper and metal mining	11⅞	4.1	128	23.4	41.9	124.9	38.0	2.93	7.00
a	**AT Cross** writing instruments	35¾	9.8	24	34.9	27.3	102.1	14.8	3.64	13.34
a	**Day Mines** silver, gold and lead mining	19	8.0	153	26.3	36.7	36.4	10.3	2.37	6.46
n	**Dome Mines** gold mining	79	14.6	47	30.9	34.1	154.1	94.5	5.41	15.87
	Drexler Technology supplies for semicond inds	19¾	21.5	110	24.3	22.8	15.6	1.4	0.92	4.03
n	**Dun & Bradstreet** publishing	56¾	15.4	17	32.9	60.8	1,176.1	102.7	3.68	6.05
a	**Evans-Aristocrat Industries** measuring tapes	12¾	7.9	24	23.3	21.3	22.7	3.0	1.62	7.61
p	**Exeter Oil** oil	27½	35.7	14	16.1	45.3	3.4	1.3	0.77	1.70
n	**Family Dollar Stores** retail	15⅝	7.5	18	26.6	22.1	169.8	8.5	2.08	9.40
	Frost & Sullivan publishing	3½	10.0	47	20.5	28.5	7.1	0.5	0.35	1.23
a	**General Employment Enterprises** personnel placement services	6⅜	7.0	123	31.0	41.7	16.3	1.2	0.91	2.18
a	**Giant Yellowknife Mines** gold mining	16⅝	7.5	—	26.6	48.6	29.7	9.5	2.22	4.57
a	**Gorman-Rupp** pump products	29	9.8	13	20.5	16.7	59.2	5.2	2.97	17.80
a	**Gross Telecasting** broadcasting	27⅜	7.7	21	23.2	21.5	11.6	2.8	3.55	16.53
n	**John H Harland** printing	44¼	16.4	20	23.6	22.4	113.7	11.1	2.70	12.06
	Harper Group freight forwarding	38¾	18.3	35	21.2	31.4	157.7	8.7	2.12	6.75
	Hollywood Park horse racing track	29	18.2	9	17.2	16.5	32.6	3.9	1.59	9.63
n	**Illinois Tool Works** fasteners	26	7.2	23	16.6	17.2	401.7	44.3	3.62	21.09
	Interface Mechanisms price scanning sys	17	23.3	82	36.4	34.0	14.6	1.4	0.73	2.15
n	**International Flavors & Fragrances** flavors and fragrances	19⅜	11.2	20	22.5	20.2	448.3	63.2	1.73	8.57
	Kelly Services temporary personnel	36	10.4	34	27.0	24.0	409.7	15.2	3.45	14.38
	Lawson Products fasteners	28¼	12.6	15	27.3	19.0	91.1	7.5	2.25	11.83
	Liberty Homes mobile homes	9¼	9.0	115	18.8	16.8	96.8	4.7	1.03	6.13
a	**Logicon** computer-controlled automation	29¼	12.9	18	18.1	16.6	55.3	2.2	2.27	13.68
n	**Longs Drug Stores** drug stores	36⅞	13.6	15	23.6	18.6	856.2	28.6	2.71	14.57
	MacDermid metal finishing	21	8.9	24	21.0	17.9	60.3	4.8	2.36	13.19
	Manitowoc construction equipment	21½	9.1	6	26.8	18.9	269.2	25.1	2.35	12.45
n	**Maytag** appliances	25½	9.6	8	27.6	20.6	349.2	35.5	2.67	12.98

[1] All companies listed on the over-the-counter market except those labeled (a) American Stock Exchange, (n) New York Stock Exchange, (p) Pacific Stock Exchange and (t) Toronto Stock Exchange.

[2] Other income not shown.

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				5-year		Latest 12 months				
	Company[1] principal business	Recent price	P/E ratio	EPS growth rate	return on equity	return on equity	sales (mil)	income (mil)	earnings per share	Book value per share
n	**Miller-Wohl** retail	22⅝	7.8	25%	46.3%	24.6%	$ 194.0	$ 19.0	$2.90	$11.80
	Moore Products precision instruments	28	11.2	18	19.1	16.1	57.1	5.1	2.49	15.45
	Neutrogena toiletries	19	20.0	19	26.4	19.3	29.4	2.0	0.95	4.91
n	**Oakite Products** chemicals	17½	7.6	8	17.9	16.8	65.5	4.1	2.29	13.62
a	**O'Sullivan** footwear supplies	12⅝	5.8	20	27.7	19.7	60.8	4.1	2.18	11.08
	Page Airways airplane sales and services	25	5.7	31	19.2	20.5	104.0	5.2	4.40	21.43
a	**Park Chemical** specialty chemicals	15⅜	6.7	13	20.2	15.0	15.3	0.8	2.28	15.24
	PBA freight forwarding	16½	19.0	24	39.2	18.7	90.9	1.2	0.87	4.65
a	**Penn Engineering & Mfg** fasteners	30¾	10.6	34	23.7	22.4	29.1	5.0	2.90	12.92
n	**Petrie Stores** retail	28	8.7	12	30.9	21.5	464.8	44.5	3.22	15.01
	Pinkerton's industrial services	45	9.0	13	20.5	26.5	279.9	11.7	5.01	18.93
	Research Inc process control instr and sys	12½	11.8	20	20.2	21.0	21.3	1.7	1.06	5.04
	Roadway Express trucking	41½	11.7	14	24.0	22.3	1,153.5	69.4	3.54	15.87
	SafeCard Services credit-card loss svs	17	14.5	95	42.4	27.0	16.1	3.1	1.17	4.34
	St Jude Medical health care products	24½	64.5	—	17.0	24.4	12.1	1.5	0.38	1.56
n	**Schering-Plough** ethical drugs	37	8.3	12	25.1	21.9	1,740.4	239.3	4.45	20.34
	Servicemaster Industries health care services	35¼	24.3	28	30.9	32.4	415.9	13.9	1.45	4.47
a	**SGL Industries** industrial products and services	13½	7.5	14	18.6	16.1	50.7	2.6	1.81	11.23
p	**Silver Dollar Mining** silver, antimony, copper mining	11⅜	20.0	41	27.0	18.9	2.1	1.1	0.57	3.01
n	**LS Starrett** measuring tools	24	6.9	21	17.5	21.1	118.2	13.6	3.49	16.57
	Sturm, Ruger & Co firearms	25½	5.3	11	24.1	16.3	77.4	8.0	4.81	29.51
a	**Summit Energy** oil and gas exploration and dev	21¼	29.1	15	20.3	21.1	6.1	2.1	0.73	3.46
	Tampax personal care products	30¼	9.4	4	30.2	24.1	202.9	36.3	3.22	13.35
	Tennant industrial floor maintenance equip	32½	9.3	18	22.7	21.4	100.1	9.5	3.51	16.41
	Tri-Chem hobby products	7⅞	5.9	–7	27.3	15.7	28.8	2.1	1.33	8.45
	Unimed ethical drugs	13⅞	49.6	47	17.4	27.2	0.7[2]	0.7	0.28	1.03
t	**United Keno Hill Mines** silver and lead mining	28	4.5	63	35.6	53.5	44.8	15.4	6.24	11.67
	WD-40 lubricants	30	12.9	22	68.1	47.0	38.3	5.8	2.33	4.96
n	**Weis Markets** grocery stores	33⅛	9.1	17	21.5	19.5	684.8	33.1	3.63	18.60
t	**Western Mines** metal mining; oil and gas prod	18	8.4	119	17.1	41.4	45.0	17.0	2.14	5.17
	Wham-O Manufacturing toys	8¼	4.1	22	15.6	15.8	26.6	1.5	2.01	12.70
	Wiser Oil oil and gas	73½	12.2	15	23.0	25.5	53.6	18.2	6.02	23.64
n	**Woods Petroleum** oil and gas exploration and prod	30	16.7	8	34.3	26.5	61.9	21.2	1.80	6.80

[1] All companies listed on the over-the-counter market except those labeled (a) American Stock Exchange, (n) New York Stock Exchange, (p) Pacific Stock Exchange and (t) Toronto Stock Exchange.

[2] Other income not shown.

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Cover 1, p. 2-3, 24, 36,
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Forbes

BROOD MARE ON THE BLOCK

HOW MUCH HORSE CAN YOU GET FOR $1 MILLION?

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Forbes

March 30, 1981
Volume 127, Number 7

84 Cover Story: Thoroughbred racehorse syndication has its NYSE, its Amex and its o-t-c, too.

30 Germany has been indexing social security since Bismarck—one reason its CPI may not tell the whole story.

34 Where is Exxon's synthesizer, so urgently publicized two years ago? Says Exxon: "We don't want to discuss it at this point."

43 Asbestos lawsuits: "Lawyers' cases, not true disability cases."

Features

Money Market Funds: "The Banks Are Out To Destroy Us!"
The money market fund is a scant nine years old, but industry assets recently reached the $100 billion mark. So the bankers' friends in Congress are striking back with a vengeance. 29

Germany: Ignoring Inflation
The Federal Republic's consumer price index is less a yardstick, as it is in the U.S., than an instrument of policy. Which is why German inflation may be much worse than the Germans say. 30

Companies: Intel Corp.
The legend of Silicon Valley has turned out to be merely human, like everybody else. 32

Companies: Harry Gray's Gamble
United Technologies' Pratt & Whitney has done a great job selling its new aircraft engine. But if the rewards could be huge, the risks may be, too. 33

Companies: Exxon Corp.
Whatever happened to the fabulous electric synthesizer that was Exxon's stated reason for buying Reliance Electric—the device that was going to save a million barrels of oil a day in 1990? The synthesizer is still alive but not especially well and, these days, Exxon doesn't really want to talk about it. 34

Synfuels: The Survivors
There will be some when the Reagan budget-cutters are finished—mostly from Big Oil. 36

Companies: Ashland Oil
A $500 million blunder? Or a no-choice decision? 41

Lawsuits: Asbestos Is Only The Beginning
Ultimately, occupational disease claims of all kinds may reach $125 billion, swamping the legal system and some major corporations. 43

The Money Men: Edgerton Welch
Modern Portfolio Theory? "I don't know what you're talking about," says the 72-year-old CEO of Chillicothe, Mo.'s Citizens Bank & Trust Co.—whose tiny trust fund happens to have one of the best records in the nation. ..47

As I See It: Naohiro Amaya
The vice chairman of Japan's powerful Ministry of International Trade & Industry argues that his government agency has only limited control over exports of Japanese cars to the U.S. 50

Companies: Eurocanadian Shipholdings Ltd.
Frank Narby is smart, fast and Canadian. Because he is, he's found a way to profit on the coal-exporting bottlenecks of U.S. ports. 54

Government: Guerrilla Warfare By The Bureaucrats
Telling a government agency to die isn't the same thing as making it happen. Take the case of the National Consumer Cooperative Bank. 60

Companies: Fluor Corp.
Engineers can still start at $25,000 at Bob Fluor's shop because there's a lot more than synfuels behind its record $17 billion backlog. 62

The Up-And-Comers: Neutrogena
Nobody sells soap quite like Lloyd Cotsen's profitable little company. 63

Companies: Leaseway Transportation
A few years ago, it was mighty heartening that half of its sales were in long-term trucking contracts with Sears, Whirlpool Corp. and General Motors. Now that's a little scary. So why is Leaseway still doing so well? 68

The Numbers Game: No Place To Hide
Flushed from their tax loopholes, the insurance companies are predicting disaster unless significant changes are made in a federal law more than two decades old. 72

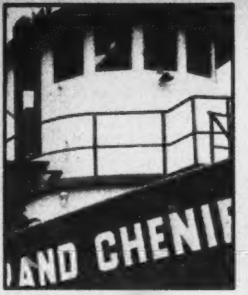
Profile: Albert Wojnilower
First Boston's influential chief economist predicts interest rates "with a wide-angle lens." 79

Companies: Zapata Corp.
John Mackin is selling off chunks of his diversified offshore oil services company so single-mindedly that you have to wonder whether it's deconglomeration or liquidation. It's neither, Mackin says—it's revitalization. 81

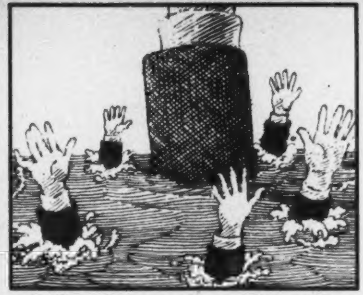
54 Budding sea lord Frank Narby: A man of many countries who's in the right place at the right time.

6781
$11,161,303
Carol Greenwald
054
2844

60 The National Consumer Cooperative Bank: Reagan proposes, Stockman disposes—maybe.



81 Zapata Corp.: Returning to the roots.



160 The Streetwalker: The entire S&L industry isn't down and out. Take a look at California's Financial Corp. of America.

Cover Story: Racing Toward A Fall
Thoroughbred racehorses may be the equine equivalent of the New York Stock Exchange, and a stallion with a good track record like a good small oil company with proven reserves. But the values that today's investors have been assigning to that choice horseflesh may be soaring far too high. Like gold, diamonds, collectibles and other substitutes for real value in these inflationary times, the price of racehorses can't go up forever. 84

Companies: Kay Corp.
Anthonie van Ekris' $900 million company is a corporate oddity: a retail jewelry chain with a record of steady growth and solid earnings, but married to a big-time, highly leveraged, international commodities trader. 94

Faces Behind The Figures

Donald Regan, *Secretary of the Treasury* 126
Archie R. McCardell, *International Harvester Co.* 126
M. Peter McPherson, *AID Administrator* 126
Annelise Anderson, *Associate OMB Director* 127
Sam Kusumoto, *Minolta Corp.* 127
Vaughn Beals Jr., *AMF* 127
Helge Naarstad, *Marine Investors & Shipowners, Inc.* 128
David T. McLaughlin, *Dartmouth College* 128
Walter Williams, *Heritage Foundation* 130
Robin Woodhead, *International Petroleum Exchange* 130
Lewis Gilbert, *Investor* 131

Personal Affairs

New Yorkers used to cluck condescendingly over the wild California real estate market. Nobody's clucking now. Co-op prices in Manhattan have gone sky-high on a flood of foreign-cash sales. Also in this issue: some fundamental but easily forgotten rules for selecting a mutual fund; and the boom in "replicars." 132

Money And Investments

What's Ahead For Business?
The signs of impending deflation are plain to see. 23

The Forbes Index 24

The Forbes/Wilshire Index 141

Statistical Spotlight: New Issues
The boom picks up steam. 158

The Streetwalker: Buy Signals In Disguise?
Do you believe in buying on bad news? 160

Investing: The T Bill Tax Loophole
What a frustration for the folks at Treasury. 161

Columnists

Ben Weberman 145
Heinz H. Biel 146
Ann C. Brown 147
Richard B. Hoey 148
Stanley W. Angrist 150
Srully Blotnick 152
Ashby Bladen 154
John Train 156

Departments

Side Lines 4
Trends 6
Follow-Through 12
Readers Say 14
Fact and Comment.......17
Other Comments 20
Editorial Index 162
Flashbacks 163
Thoughts..........................164

Photos: p. 4, John Chang McCurdy; p. 6 top, Wide World; p. 6 bottom, UPI; p. 12, right, Carl Iwasaki; p. 12 left, James Caccavo/Empire; p. 31, R. Bossu/Sygma; p.35 Neal Boenzi/NY Times; p. 41, Jay Mather/Black Star; p. 44, U.S. Navy; p. 47, Jack Hamilton; p. 52, Tatsuo Kurihara/Gamma Liaison; p. 54, Ralph Crane/Black Star; pp. 60, 127 left, Eric Poggenpohl; pp. 62, 64, 134, Jim McHugh; p. 68, Ed Nano; pp. 79, 94, Patrick Pagnano; pp. 84, 85, 86, 91 center, Enrico Ferorelli; p. 87, Focus On Sports; p. 88 top, Bill Strode/Woodfin Camp; p. 88 center, Jerry Cooke/Photo Researchers; p. 88 bottom, Bruce Roberts/Photo Researchers; pp. 91 top and bottom, 127 bottom right, Judith Gefter; p. 126 right, Bruce Hoertel; 126 bottom left, Owen Franken/Sygma; p. 127 top, Bill Kelly; p. 128 top, 136 top, Robert Forbes; p. 128 bottom, Stu West; p. 130 top, Ron Sherman; p. 130 bottom, Jake Sutton/Gamma Liaison; p. 131, Hank Young/Black Star; p. 136 bottom, Peter Yates

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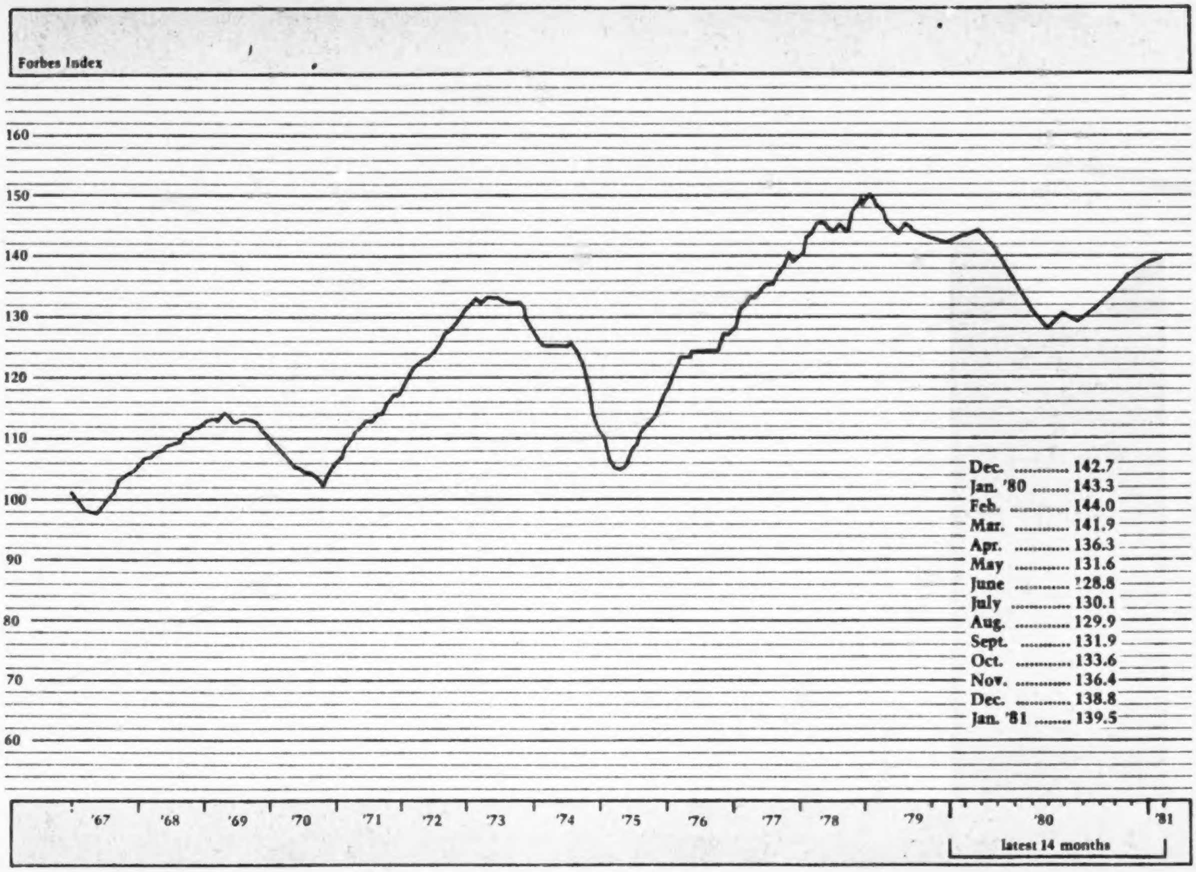
The Forbes Index



Dec.	142.7
Jan. '80	143.3
Feb.	144.0
Mar.	141.9
Apr.	136.3
May	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.5

The Forbes Index Components

Is a top in sight? This issue's index is still rising, but at an ever slower pace. The gloomiest piece of bad news comes from unemployment claims. When these grow, it is a sign of economic weakness—and for the most recent reporting period the claims figure was up more than 3%. That is hardly cheering. But even worse, it marks the reversal of an eight-month decline.

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

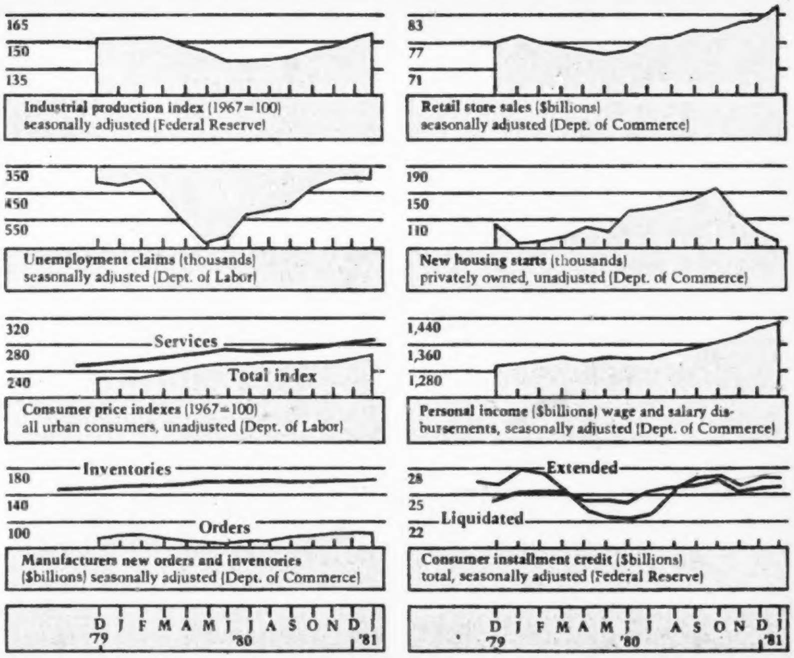
Total retail sales

New housing starts

Personal income

The change in the amount of consumer installment debt outstanding

To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



Industrial production index (1967=100) seasonally adjusted (Federal Reserve)

Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)

Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)

New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)

Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)

Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)

Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)

Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

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Cut away the fat from the synthetic fuels industry, and what's left? The muscle of big oil.

Shaping up synfuels

By Carol E. Curtis

In the barrage of Reagan budget cuts, the synthetic fuels industry was a tempting target. Jimmy Carter's $20 billion bonanza of energy and construction subsidies was just too big to ignore.

Despite the Administration's economy binge, the synthetic oil and gas program is very much alive and well. The new Synthetic Fuels Corp., with a yet-to-be-named board and director, still has $17.2 billion in backstop financing. That is the same figure Carter proposed, minus direct grants to companies. These relatively minor cuts leave many major projects intact.

There is, however, a new slate of winners and losers. To qualify for Synthetic Fuels Corp. money now, participants must ante up 40% of the equity—compared with only 25% before. This means projects backed by major oil companies will have a clear edge. "People will have to find more cash, and if you don't have oil money, the odds against getting into the game are much higher," says Roger Copland, a vice president of Washington Analysis Corp., a subsidiary of Bache.

In addition, the Reagan emphasis is on projects that produce liquids rather than gas. Of those efforts the government is most anxious to push, only one has gas as its main product. This change stems from improved prospects for U.S. gas supplies. This year should be the first since 1967 that the nation adds as much gas to its reserves as it consumes. At the same time Administration planners point out that liquid fuels, being direct substitutes for oil, can immediately offset oil import bills.

The long-troubled Great Plains gas project may be an early candidate for the Reagan chopping block. The plant, sponsored by Detroit-based American Natural Resources Co., was the core of Carter's synfuels program. But it has stumbled because potential customers, including General Motors, refuse to pay the surcharge needed to finance it. The project is now in limbo pending a decision on $1.8 billion in federal loan guarantees.

On the plus side, however, one of the Synthetic Fuel Corp.'s first likely acts will be to commit $3 billion in Defense Production Act money to three projects that produce liquids. These efforts, and others slated for government funding, will still meet an ambitious target, say Reagan planners, who hope their tough stance will minimize cost overruns and project abandonment. Cumulative production from projects that will probably be cut is equivalent to only 100,000 barrels of oil a day—less than 2% of what the U.S. now imports.

Still, some industry veterans see a warning in the new agenda. Robert Hanfling, former deputy undersecretary at the Department of Energy who managed the agency's synfuels program under Carter, believes more oil-company involvement will slow the industry down. "The Exxon philosophy," he says, "will be to go commercial more gradually."

Bill Curnow, a spokesman for American Natural Resources, also questions the wisdom of leaving the fledgling industry mostly to oil giants: "It raises the possibility that only the big can participate in certain areas of U.S. business," he says. "Are we going to leave a whole new industry to the top oil companies?" At $2 billion-to-$3 billion a plant, the answer seems to be mostly, Yes. ■

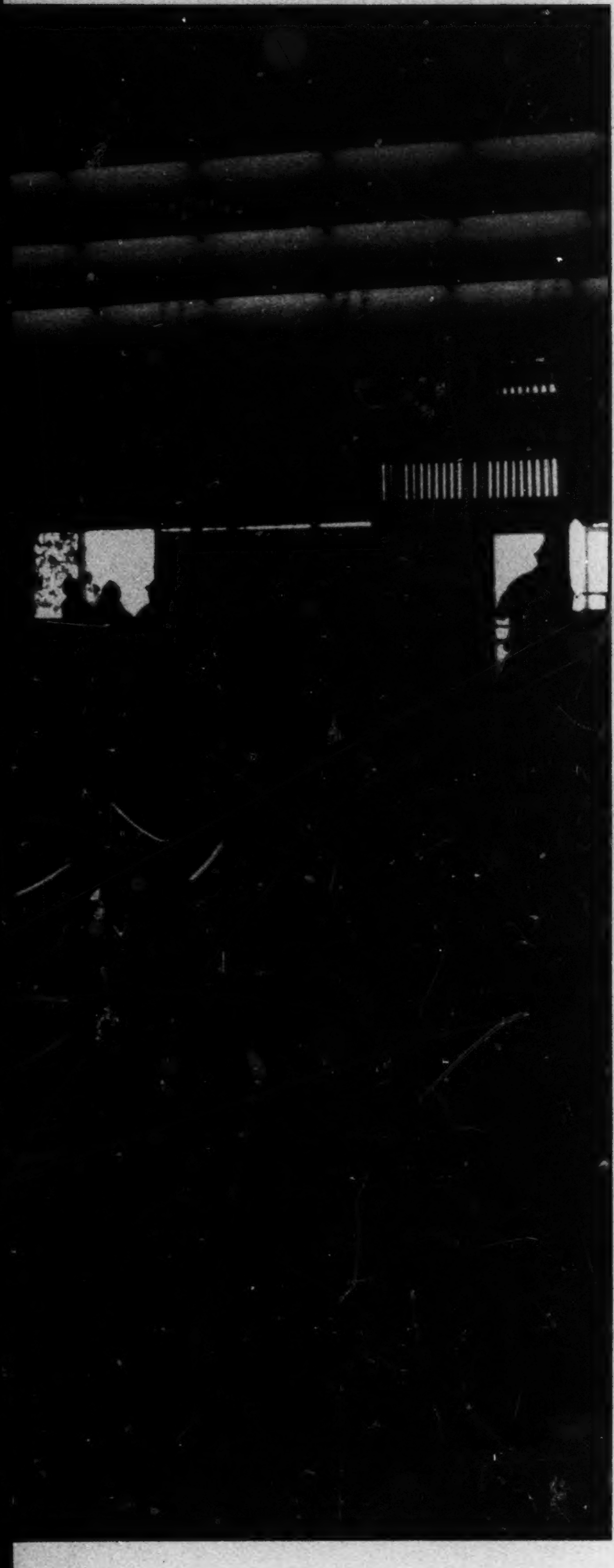
Color them risky

No synfuel projects are shoo-ins, but those most likely to win government support are shaded green below. They have big oil behind them. Other efforts, shaded yellow and red according to the prospects for completion, have less affluent sponsors or will produce lower-priority gas from coal instead of liquid fuels. Most project leaders plan to share ownership with at least one partner.

Project leader (name)	Architect/ engineer	Government funding to date	Product/ daily output
Exxon (Colony Oil Shale)	Foster Wheeler, Santa Fe Intl	unallocated*	shale oil/ 47,000 bbl
Union Oil (Union Oil Shale)	Stearns-Roger, Morrison-Knudsen	unallocated*	shale oil/ 50,000 bbl
Texaco (Cool Water Coal Gasification)	Bechtel		high, med Btu gas/21 mil cu ft
Gulf Oil (Solvent Refined Coal II)	Raymond Intl, Wheelabrator-Frye	$90 million	fuel oil, naphtha, gas/20,000 bbl
Koppers (Tennessee Synfuels Assn)	Wheelabrator-Frye	unallocated*	gasoline, other liquids/10,000 bbl
Ashland Oil (H-coal)	Bechtel	$215 million	syncrude, fuel oil/50,000 bbl
Amer Natural Resources (Great Plains Coal Gasification)	Combustion Engineering, Raymond Intl	$25 million	high Btu gas/ 125 mil cu ft
Memphis Light, Gas & Water	Foster Wheeler	$26 million	med Btu gas/ 50 mil cu ft
Northern Ill Gas (Illinois Coal Gasification Group)	Dravo	$50 million	high Btu gas/ 24 mil cu ft
Conoco	Foster Wheeler	$38 million	high Btu gas/ 19 mil cu ft
Texaco	Enserch	none	med Btu gas, methanol/ 300 mil cu ft

*A portion of $3 billion in Defense Production Act funds.

Sources: Companies; Energy Department; Washington Analysis Group.



There's been a bull market in Thoroughbreds for over a decade. Is it tulip-time in horseland?

Racing toward a fall

By Howard Rudnitsky and Alyssa A. Lappen

IN 1955 A SLEEK BAY STALLION named Nashua won nearly every race there was—but not the Kentucky Derby. Then he avenged that humiliation by leaving Derby winner Swaps 6½ lengths behind in a memorable match race at Chicago's Washington Park. By the end of his career, Nashua had won nearly $1.3 million in 30 races. In 1955 a syndicate, including horse fanciers like Paul Mellon and Harry Warner, paid a record $1.3 million for him, and that bet came in better than many daily doubles: So far, Nashua has sired nearly 500 runners, and his offspring's winnings exceed $14 million. Still active at 29, he will visit 35 broodmares this season.

Such is the lure of horseflesh. In today's well-bred world of racing, however, lots of numbers are running far ahead of inflation. Seven-figure prices are no longer extraordinary for Thoroughbred mares and yearlings with a good record or promising lineage. Alma North, for example, sold for $1 million in January at an off-season auction that usually attracts neither the best horses nor the richest bidders.

And that's only the beginning. Thoroughbreds are the equine equivalent of the New York Stock Exchange, and a stallion with a good track record is like a good small oil company with proven reserves. The value that today's investors assign to a choice bloodline may be outpacing the future worth of oil reserves in the Overthrust Belt or Anadarko Basin. Spectacular Bid, for example, ended his racing career with total winnings of $2.8 million. His syndication price was a record $22 million. That yields a "syndication/earnings" ratio of 7.9 compared with 1.0 for Nashua.

Even lesser Thoroughbreds are setting new records. Last year the industry's top yearlings fetched an average price of $160,000. On the whole, values set by the 1980 sales were up more than 25% over 1979.

Racing has its Amex and o-t-c, too. In 1979 a half-interest in Niatross, a pacer who won 37 out of 39 lifetime starts and piled up over $2 million in purses, was syndicated for $4.8 million. That figure, which works out to a whole-horse value of nearly $10 million, was a record for Standardbreds. But even bigger money went for Easy Jet, a quarter horse. Breeding these quick, colorful runners is all the rage in oil states like Oklahoma and Texas, and Easy Jet is a remarkably prolific sire. Artificial insemination, something the Thoroughbred crowd doesn't allow, makes him all the more productive. Result: Since last summer investors ponied up nearly $13 million for a 42% interest in the 14-year-old stallion.

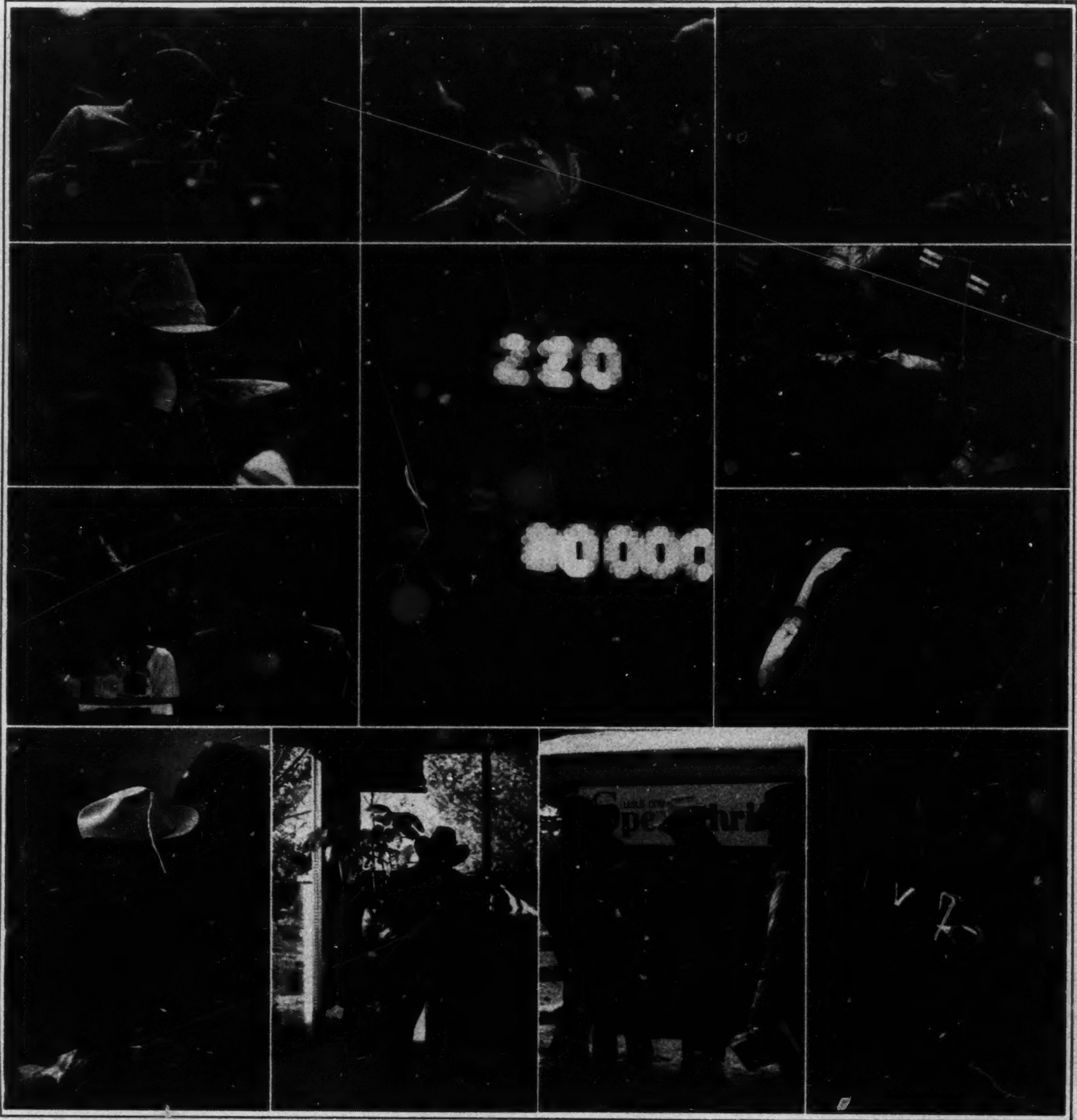
Add it all up, and tens of thousands of blood horses changed hands last year, with an estimated value of $1 billion. Since 1970, selling prices in all segments of the market have sported growth rates of over 15% a year, with the exception of the

When the hammer falls, it's yours

Horses, like other objets d'art, change hands at auction. And the equine equivalent of Sotheby Parke Bernet is the Keeneland Association, a complex of 52 buildings nestled on a 410-acre spread outside Lexington, Ky. That's a far cry from the small tent put up in 1943 when a handful of breeders and owners first gathered for a round of casual trading. Today there are four sales annually, with the most prestigious coming in July and November. Last year eager buyers plunked down $232 million for some of the nation's best-bred animals.

Keeneland sales are social affairs for the horsey set, and glossy catalogs list the provenance and vital statistics for every animal—much like gallery brochures describing French impressionists. Potential purchasers, whether they've arrived by private jet, limousine or pickup truck, make initial trips to inspect horses in their stalls. Then they head for the auditorium-like auction ring. There, to keep things straight, every colt or filly gets an identifying "HIP" number pasted prominently on both hindquarters.

To make sure it deals with serious bidders, Keeneland hands out computerized credit authorizations. These range from $10,000 well into the millions; payment for any cash purchase is on delivery, which can be moments after the sale. At the final hammer, of course, every buyer assumes he's latched on to another Nashua or Buckpasser—so the first feed bill is hardly a shock.



1974 recession, when Thoroughbred prices dipped. "Over the past ten years, horses have changed from a sport to a business," says Seth Hancock, who runs Claiborne Farms in Paris, Ky. "The dollars are so big that people have a different attitude now."

The old dream, of course, of striking it rich is still there; and even though fewer than 3% of all Thoroughbreds ever win a stakes race, long shots come in for owners, too. "I've played the market, and I've been in oil," says Louis Wolfson, who bred, raced and later syndicated Triple Crown winner Affirmed, "but there's no place where you can make money as fast as in horses." Several years ago, for example, two novices in their 30s bought Seattle Slew for $17,500. Later, he earned $1.2 million in purses and was syndicated for $12 million. Then there was retired developer Harry Meyerhoff. In 1977 he picked up a well-bred colt for a bargain $37,000, "partly because he toed out on the right front." The horse was Spectacular Bid.

Despite a few big winners, experts estimate that 85% to 90% of the individuals who take a shot at racing and breeding lose money. However, that's not quite as bad as it appears. Why? There are plenty of tax benefits to be corralled. Expenses, of course, are deductible. What's more, horses can qualify for accelerated depreciation, and down-the-line income from the sale of a purse-winning colt or a well-bred filly often becomes a capital gain. "You can do the same thing with oil and gas," explains one breeder. "But how many people do you see hopping on a private jet to fly out and look at their wells?"

Those bottom-line incentives are a partial explanation for the recent run-up in the value of horseflesh—but not for the reasons you might think. "Our industry has never been a really good tax shelter," says John Finney, president of Fasig-Tipton, a Kentucky-based auction firm. "But since 1976, when the government weeded out other alternatives, more and more investors have been getting involved."

Not surprisingly, the nation's horsemen are galloping to take advantage of the proposed Reagan tax package. Breeders assume they'll be included in the Administration's plans to shorten the useful lives of certain farm equipment and livestock from ten years to four years. They are also plumping for the right to take a 10% investment tax credit.

Still, some of the most aggressive current investors are people who may not be concerned with U.S. taxes at all. Foreign money now accounts for as much as one-third of the purchases of select yearlings. The more prominent buyers include Greek shipping magnate Stavros Niarchos, who paid $1.7 million for a yearling colt last July. Robert Sangster, head of Britain's lucrative Vernon Soccer Pools, has put nearly $10 million into American horses over the past four years. And several Japanese industrialists recently bought a colt for $1.6 million.

Arabs like bluegrass, too. Mahmoud and Mustapha Fustok, Saudi Arabian oil tycoons, apparently do things in a big way. They have been major Thoroughbred purchasers, and for their Kentucky home-away-from-home the two bought and redeveloped a major farm near Lexington. Locals speculate that the land alone cost $12 million. The Fustoks also reportedly lavished $2.5 million to build new stables. Says a local lawyer: "It must be the most expensive farm ever. They used bulldozers and completely flattened rolling hills."

Running to form?

There are two things that can make owning a horse a sound investment—breeding and racing. But the economic basis for both is the prospect of winning big at the track. Yearling values, then, should relate to total purses, which in turn are a function of track attendance. With yearling prices soaring, the other graphs in this chart ought to be racing ahead. They aren't. That's why owners may soon feel as if they'd left their wallets at the post.

Name	Year born	Year syndicated	Lifetime winnings[1] ($millions)	Syndication price[2] ($millions)	"S/E" ratio
Spectacular Bid	1976	1980	$2.8	$22.0	7.9
Affirmed	1975	1978	$2.4	$14.4	6.0
Secretariat	1970	1973	$1.3	$6.1	4.7
Buckpasser	1963	1967	$1.5	$4.8	3.2
Nashua	1952	1955	$1.3	$1.3	1.0

[1] Data from *The Blood Horse* [2] Data from *Daily Racing Form.*

So racing is indeed the sport of kings—or at least those sheikhs who can afford to live like kings. But another reason for the escalation in prices has more to do with American marketing techniques than with idle rich across the seas. As inflation pushes more and more people into top-tier brackets, the advantages of any income shelter multiply. And, as thousands of accountants, businessmen, doctors and lawyers are scrambling to reduce their taxable incomes, breeders and financial middlemen are making it easier than ever to get a shot at the winner's circle.

In the good old days—just before World War II—Leslie Combs II latched on to an idea that revolutionized the business. Stallions can usually service at least 40 mares each year, but few breeders can afford that big a stable. Combs, who was just starting Spendthrift Farms, saw a way to spread the risk. He offered to sell the right to breed annually with prize-winning sires.

One of the first horses to go on the block was Alibhai, owned by movie mogul Louis B. Mayer. In a practice that still holds today, syndicator Combs kept an additional 10% of the horse's breeding rights as his fee. Now, there are 40 units in most syndications, and prices have soared: Alibhai was sold initially at $10,000 per share; Robert Entenmann, of the baking clan, recently paid $950,000 for one share in Lyphard, a current market leader. For his investment, he also got two additional "seasons," industry jargon for one-time access to a sire.

The concept of syndicating stallions that are proven winners and selling shares to members of the breeding fraternity, however, has broadened considerably. Spendthrift, for example, recently put up 40 shares in Lord Avie, a three-year-old 1980 Juvenile Champion, at $250,000 each. That's a $10 million bet on a horse that has yet to end his racing career, and an "escalator" clause will raise the share price if Lord Avie wins big this year. "It was a gentleman's game then, and now, it's dog-eat-dog," says Combs. "Today they'll syndicate a yearling—anything—for $1 million."

Another reason the cost of big-name syndications keeps moving up: When a stallion can service more mares than there are syndicate shares, recent Securities & Exchange Commission poli-

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cies restrict the way a syndicate's additional breeding rights can be sold. So, unless a broodmare owner has at least one share in a syndication, he may be out in the cold. "Nowadays, if you don't have a share in a horse, you can hardly get to breed to him," says an industry veteran. "People won't sell their own shares—their own seasons."

It isn't quite like De Beers and diamonds, but access to the best sires is limited. And supply can't go up fast. "You can only get one foal from a mare per year," says Claiborne Farms' Hancock. "There's no way to escalate that."

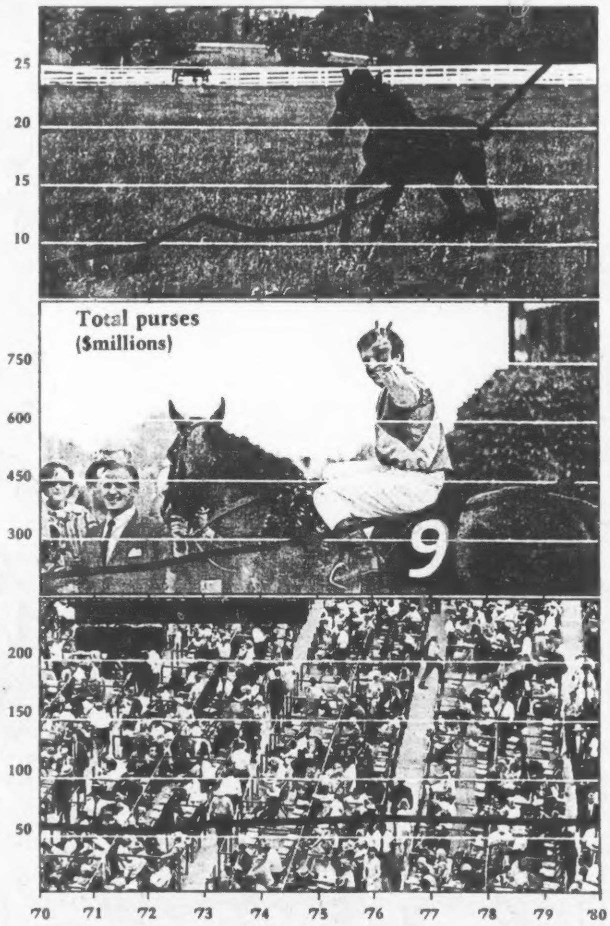
Selecting a colt or a filly, of course, is like placing a bet. Plenty of "expert" advice is always available. Businessmen usually don't have the time to follow auctions closely, and so-called bloodstock agents are available to guide them. Years ago, there was a small coterie of plugged-in horse fanciers—from Kentucky, Britain or Ireland—who brought respectability to the calling. But now the field is wide open. Says one horseman, even a barber needs a license to cut hair. "But any Tom, Dick or Harry can hang out a sign and become a bloodstock agent."

Racing has always been a social melting pot. Today, mixing with patrician Mellons, Vanderbilts and Whitneys are newcomers who can often profit from rubbing elbows with the rich. Don Tyner, for example, is an Oklahoma City Thoroughbred and quarter horse agent who is vague about his business background. He flies a private jet, secretary in tow, and claims to have syndicated Easy Jet for $30 million. "It was the biggest deal in the history of the world," says Tyner. "We had lawyers out of Detroit." The horse's original owners, meanwhile, still hold 58% of the shares and say they sold most of the rest themselves.

Regardless of how you shop, however, buying a horse isn't a one-time expense. To begin with, if you want your own farm, it won't come cheap. A good Kentucky spread costs $10,000 an acre, more than 5 times the price of prime Iowa farmland. For down-and-out breeders who have no Kentucky estate, however, stable space and feeding is available at $14 a day or $5,000 a year for a mare; stallions cost 40% more. Blacksmiths, vets and vans aren't included, and the 3.8% insurance premium on a mere $30,000 stallion runs to $1,150. If you're into racing, the package could top $20,000 a year—per horse.

"I've got the horse right here"

As racing becomes more a business and less a sport, some four-footed investments lend themselves to Wall Street's brand of analysis. Top stallions, for example, used to bring in syndication fees roughly equal to lifetime earnings at the track. But now these "S/E" ratios are escalating wildly. The buying euphoria smacks of the stock market's Soaring Sixties—with just as much downside risk.



Sources: The Blood Horse and Daily Racing Form

That's why opportunities abound today for eager investors who can't afford an entire animal or who want to spread their risks. The industry's money men have moved several levels beyond simple syndication. Look at Georgia's Dogwood Farm Inc., owned by Cothran Campbell, who formerly ran a large regional advertising agency. Since the early Seventies, he has packaged about 50 limited partnerships with tax and operating expense writeoffs. Each deal involved four to seven investors who anted up roughly $40,000 each.

Of 22 partnerships concluded since 1978, by Campbell's count, ten made money, six broke even or better with depreciation and tax breaks taken into account and six lost money. "I've gotten few complaints," Campbell says. "But many people come back into new syndicates we're always forming. They have a good time seeing their horses run, and occasionally win, a stakes race."

Campbell, however, wins more often. A recent offering circular on a $200,000 deal indicates that his farm will charge a $40,000 management fee in 1981. He then gets 20% of net cash flow that comes after the partners earn back their investment. In addition, if the colts are retired to stud, Campbell also reserves two lifetime breeding rights.

Then there's Louis Guida, whose full-time job is running three Merrill Lynch offices in southern New Jersey. Since 1977 he has put together $25 million worth of fleet-footed Standardbred syndications for scores of clients. His latest coup was wrangling a half-interest in Niatross, Horse of the Year for 1979 and 1980. Guida paid $3.3 million for his stake, and he claims breeders are now beating down his door at a fee of $35,000 per season. With artificial insemination, Niatross can service 158 mares per year—providing half of the annual income of $4.4 million for Guida's investors. "Most syndicators are really interested in breeding," says Guida, who also packages limited partnerships. "I just put together a tax package. What's the difference if it's a horse or a building or an oil well?"

On the other hand, look at a potential $2-a-share investment in International Thoroughbred Breeders, Inc. Track rules effectively bar public corporations from racing; so this new venture, with a registration statement now on file at the Securities & Exchange Commission, plans only to breed, lease and trade. ITB's president, Kerry Fitzpatrick, before he became a "racing consultant" in 1975, was financial vice president of a real estate investment trust that went bankrupt.

Such mass-marketing is at least one warning signal that the boom in breeding stock won't continue forever. Another may be the fact that borrowing to buy horses is on the rise. Traditionally, lenders that served breeders were limited to horse country. Banks in Kentucky, for example, have up to 13% of their loans in horse-related activities. Now the circle is broadening. "People are getting involved with far larger institutions," says an industry expert. Among the big names that have moved in: Citibank, and Irving Bank Corp.'s Nanuet National Bank.

Fasig-Tipton's Finney has a different wrinkle. In 1977, he and Charles Harris, a Wall Street money manager, formed TECO, a finance company that arranges horse-leasing—complete with residuals. An investor gets a horse for, say, six years at $10,000 a year. That entitles him to purses and breeding rights during the lease period. "We've made several million dollars' worth of these leases, and it's working well," says Finney. "We did a study of the residual value of top-class fillies. They're as good as 727s."

Comparisons with jet planes aside, the dollars-and-cents reason for racing or breeding is to make money. And with some auction prices today soaring to multimillion-dollar levels and top stallions commanding syndication/earnings ratios unheard of in the past, every owner's eye should be firmly focused on the finish line. Strangely, that doesn't seem to be the case. Last year, something happened that made old-timers blink. Fillies often sold for more than colts. Buyers, it seems, are now paying as much for a chance to breed as a chance to race. That, on top of the trend toward stratospheric prices, worries some experts. "We're moving away from the bedrock economic bases that used to dictate the future of this industry," says John Finney. "This is a potential danger."

Dan Lasater, whose stake in the Ponderosa fast-foods chain made him worth $29 million by the time he was 28, is indicative of today's trend. He ran a big-time racing stable that won over $10 million between 1973 and 1976. But now he's into breeding and soon plans to market tax shelters. "I used to have 75 or 80 horses in race training, but now I might have just 10," he explains. "Breeding is the part of the business to be in." Lasater hopes to sell over $7 million worth of horses this year.

Economist David Novick, who has followed the Thoroughbred and Standardbred markets for decades and is a Rand Corp. consultant, thinks the buyers may soon lose their enthusiasm. "It's the 'greater fool theory' at work," he says. "Because of inflation and tax shelters everyone thinks he can afford a horse today at almost any price. People figure they'll race or breed and sell out to someone else at a profit. I don't know when the bubble will burst, but it surely will."

Checking the inventory at Spendthrift Farms
Once a gentleman's game, breeding is now big business—with a bid under way for investment tax credits.

Odds are that the fall could come soon. With the dollar rising against major foreign currencies, the flood of foreign funds that hit the horse sales could become a trickle overnight. Even as the value of horseflesh soared to giddy highs, other indicators of the industry's health paint a down-at-the-heels picture.

As the chart on page 88 shows, total Thoroughbred purses have been rising—but far slower than the value of the horses that win them. This is true for Standardbreds as well.

Spendthrift founder Leslie Combs II
"Now it's dog eat dog."

At the same time, total attendance at the nation's Thoroughbred tracks is flat, though the number of racing days has steadily grown. Average daily attendance is actually going down; it stands now at under 7,500, *vs.* nearly 9,000 in 1965. The numbers for Standardbreds aren't any better. What's more, the demographics at the $2 window are dismal: Regulars tend to be fiftyish, and there is little evidence that even staging rock concerts is attracting the free-spending younger generation. Where are the racing fans of tomorrow?

In New York, Off-Track Betting makes things worse. Owners now get as high a percentage of the OTB handle as they do of the track handle. Still, OTB has been a mixed blessing: The tracks have lost 12,000 bettors a day since OTB came on in 1971. Worse, their share of the OTB handle is only 1.5%, *vs.* 8.5% of the track handle. In addition, other forms of wagering—like casino gambling, state lotteries, sports betting with bookies—compete with racing. "With nine out of ten owners losing money, and no way to increase purses as fast as inflation, this industry is in for some very tough times," says one Thoroughbred owner.

Short of a drastic realignment of horse prices, is there a way out? General Instrument's experiment with Teletrack, a betting system that now brings racing to a theater in Connecticut, is still aborning. Some optimists also think that cable television may one day be more important to horsemen than bloodlines. There could be nationwide in-home betting, with races broadcast live. Playing the daily double would mean pushing a few buttons; wins and losses would show up on a Visa or Master Card statement. But given the legal restrictions, such innovation hardly seems imminent, even though telephone betting is now being tried in a few places.

Those are the industry's long-term prospects. What about the short term? In November and January, breeders spent heavily on broodmares in foal, and it will be about two years before most have yearlings they can sell. But such confidence may be misplaced. Few people see when a market has reached its peak. Look at gold, diamonds, collectibles.

So sellers could be in for a shock. As with all the other substitutes for real value in these inflationary times, the price of horses won't always go up. John Finney, whose firm has made a fortune running Thoroughbred auctions, is fundamentally optimistic. But there's a nagging worry in the back of his mind. "I have a recurring dream," Finney says. "I'm up on the block, and what I'm selling isn't horses, it's tulips." ■

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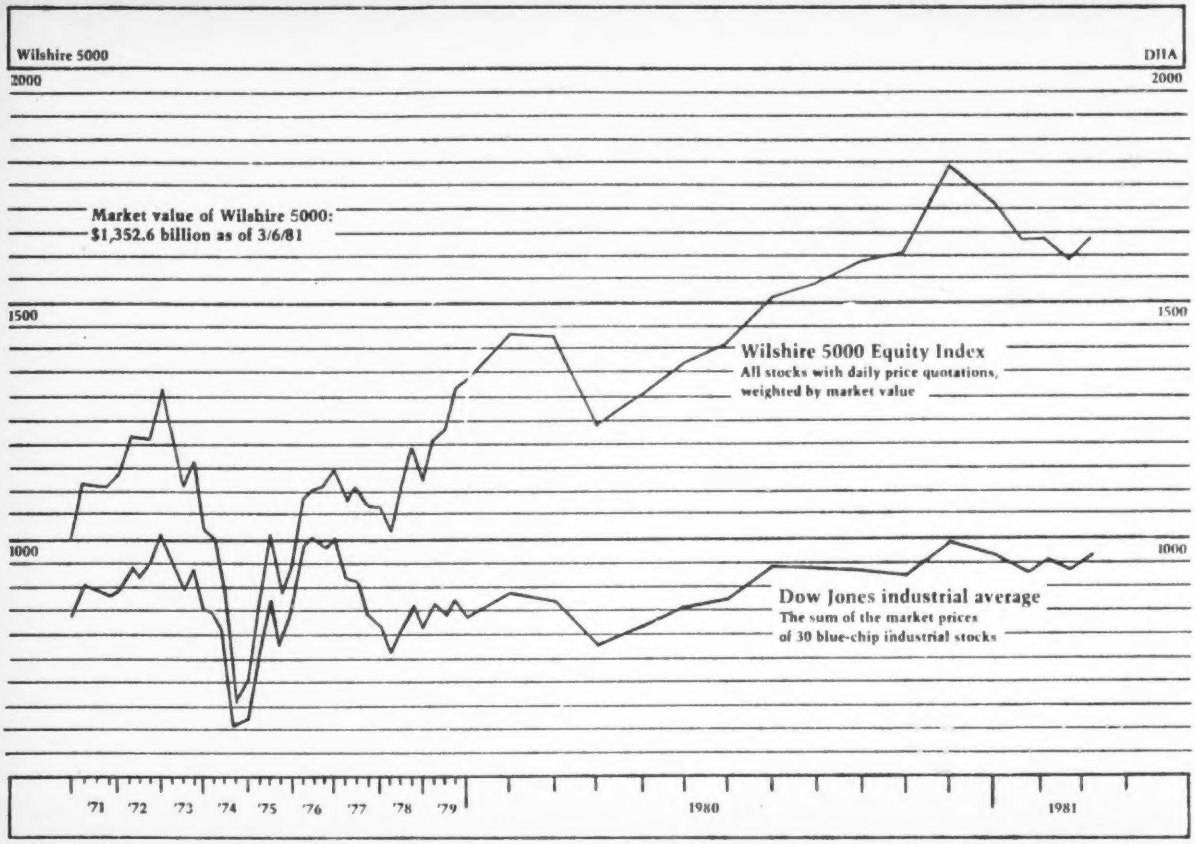
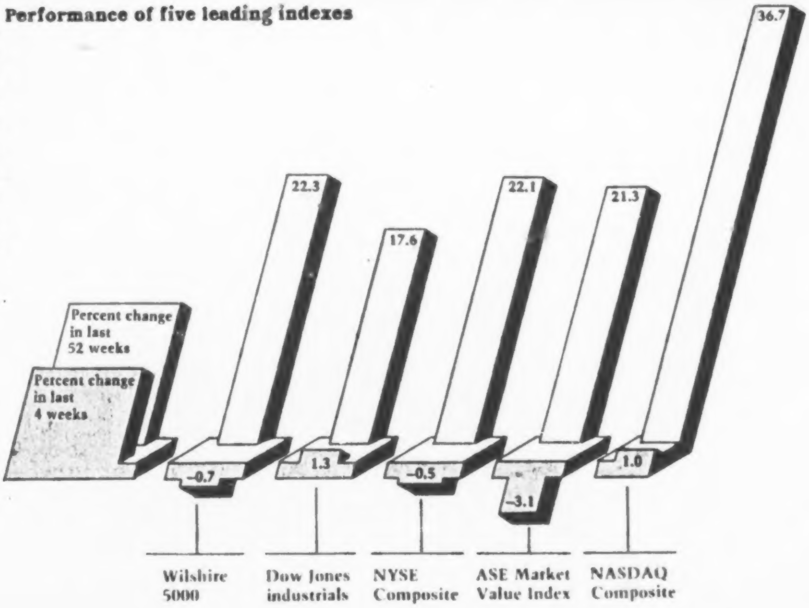
The Forbes/Wilshire 5000 Review



Close-up On The Equity Markets

Crocuses on Wall Street? For the first time in six weeks, some markets at least are posting gains. The Dow leads the pack, with NASDAQ issues close behind. But the NYSE Composite gives a broader picture of what's really happening—and its decline almost matches the dip in the Wilshire 5000. That index, however, also reflected a slump on the ASE, which was hit hard by sell-offs in out-of-style oil stocks.

Performance of five leading indexes



Note: All data for periods ending 3/6/81. Prepared by Wilshire Associates, Santa Monica, Calif.

The key to the relationship between interest rates and the price of precious metals is the real return on alternative investments.

WHAT FUELS SILVER PRICES?

By Stanley W. Angrist

ONE OF THE situations that I am most frequently asked about is the relationship between interest rates and the price of precious metals. The confusion exists because at times rising interest rates are viewed as bullish and at other times as bearish. Shearson Loeb Rhoades, Inc. has recently taken a look at this question, and I think the results are significant.

The key to the relationship between interest rates and the price of precious metals is the real rate of return—that is, the nominal rate less inflation on alternative investments.

It is widely accepted that precious metals are generally considered to be inflation hedges. When the real rate of return from investment-bearing instruments is negative, the attractiveness of owning precious metals is increased. Investors are loath to tie up their funds in Treasury bills, bonds, certificates of deposit and the like if they cannot at least keep pace with the general level of price rises in the economy. However, as nominal interest rates rise above the inflation rate, investors tend to liquidate their precious-metal commitments in favor of financial investments.

The chart at right illustrates this point. It shows the real rate of return on Treasury bonds less the percentage change in the Consumer Price Index for the past 11 years. Also plotted is the change in spot silver prices; both curves are plotted on a quarterly basis. During the early 1970s the real rate of return on financial investments was positive and silver prices were relatively stable. In the highly inflationary 1973-74 period, the real rate of return on T-bonds became negative, causing investors to turn to precious-metal investments. By early 1975 the real rate of return had again turned positive for financial instruments, and silver prices stabilized. The scenario was replayed again in the 1979-80 time period, with the added complications of the Hunt brothers' dealings.

Thus, the relationship between precious-metal prices and interest rates seems to hinge on real rates of return rather than rising or falling interest rates. Silver will be an interesting commodity to watch this year—even if you don't care to trade it. Handy & Harman's 1980 silver supply/demand balance for the Western world noted the following items:

1) Total consumption fell 20% last year. While all major countries showed declines, the largest percentage drop occurred in the U.S.

2) The primary deficit—that is, the total usage less mine output—was reported to be 101 million ounces. This is about half the annual average deficit for the past decade.

3) Secondary sources, which are mostly scrap recovery, coin meltings and exports from India, swelled to 224 million troy ounces—the largest figure since 1969. High prices worked their magic once again.

4) The "change in private stocks" *increased* 123 million ounces. This is the supply surplus that must be absorbed by industry or investors. With the exception of last year and the depressed year of 1976, each of the past ten years registered a supply deficit for silver.

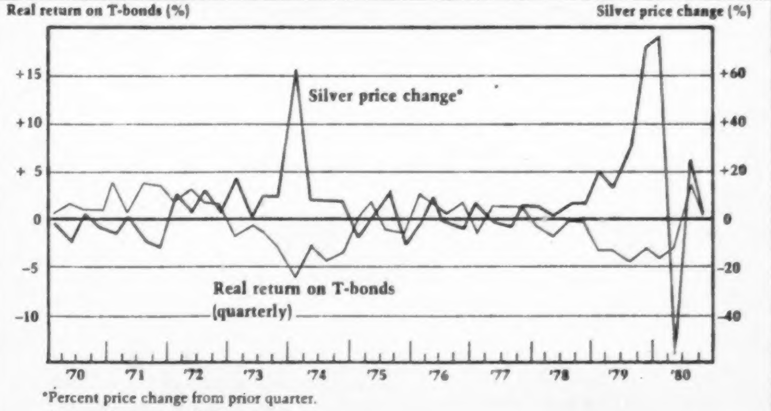
Shearson forecasts a silver surplus for 1981. Even if consumption expands somewhat, secondary silver sources and mine production should be more than sufficient to meet demand. Thus, inflationary expectations will decline somewhat and financial instruments will show real rates of return. Of course, any unexpected shock to the world, such as a U.S.S.R. move into Poland or a cutoff in Middle Eastern oil would alter the outlook for silver.

I would consider selling the June silver contract above $15.50 per ounce from my entry point and look for a move down to around $11.50 per ounce. If you do this trade on the Chicago Board of Trade, where the contract is 5,000 troy ounces, margin would be $6,000, the profit potential $20,000 and the risk $2,500. If you do this trade on the Mid-America Exchange (1,000-troy-ounce silver contracts) the margin would be $1,800, the profit potential $4,000 and the risk $500 per contract. ■

Stanley W. Angrist is a professor at Carnegie-Mellon University and the author of Sensible Speculating in Commodities.

It's the real return that counts

The rate of return on a silver investment moves inversely to the real rate of return—after inflation—on T-bonds. When real returns on financial instruments turn negative, silver will fly.



*Percent price change from prior quarter.

Source: Shearson Loeb Rhoades, Inc.

With a new Administration and emerging technologies, the boom in new issues of common stock may have just begun.

New issues pick up steam

Statistical Spotlight

By Steve Kichen

WITHIN THE PAST 18 months the recovery of the new-issues market has been gaining momentum. The probusiness attitude of the new Administration is likely to encourage increased new-issue underwriting, particularly in such rapidly evolving technologies as energy, biomedical science, genetic engineering, data processing and electronics.

Nothing highlights the growing public interest in new issues more than the recent offering of Genentech in October 1980. In its first day of public trading this stock went from its offering price of 35 to a very short-lived high of 89, even though Genentech is earning only a few pennies per share—all from research contracts.

Several drug and chemical firms and major universities are also actively involved in genetic engineering research. One of them is Cetus, which recently went public with an offering more than 3 times larger than Genentech's. And early in 1981 Biotech Capital, a venture capital firm specializing in biosciences, had a $13.2 million offering that sold out quickly.

The new-issue game is not for the faint of heart. If you had bought into International Picture Show last August, for example, you would now be left with less than 60% of your investment. There's no substitute for a close reading of the offering prospectus.

In the table below is a select group of first-time common stock offerings from 1979 to the present. To screen out some of the smallest and most speculative ventures we eliminated offerings priced at less than $1 per share, or where fewer than 1 million shares were being offered or where the initial market value fell below $3 million. New issues sold as units—with warrants or other "sweeteners"—were also eliminated because they are inherently more speculative. Even so, our list contains plenty of potentially risky investments. Since most of these companies are starting from a very small base their financial figures are, of course, often not representative of the company's long-term potential.

To date, most of the firms on our list have shown positive price appreciation. The real winners: Amber Resources, up 525%; Griffin Petroleum, up 519%; and Lewis Energy, up 413%.

Norman G. Fosback, editor of the *New Issues* newsletter, gave us a list of some of his favorite forthcoming or recently released issues: Infotron Systems, a manufacturer of computer interconnect devices; Cetus; Durolith, a manufacturer of electronic equipment control panels; SCI, a computer software company specializing in programs for bank trust departments; and Sterling Pipe & Supply.

Debutantes

Here are the most presentable new issues of the past two years. To exclude the more speculative offerings we insisted on an offering price of at least $1, at least 1 million shares in the offering and an initial market value of $3 million.

Company/principal business	Date of offering	Number of shares offered (000)	Offering price	Recent price	% change in price	Revenues latest fiscal year (000)	Earnings per share latest 12 months	Price/earnings ratio
Amber Resources/oil and gas	1/10/79	4,000	$ 1.00	$ 6.25	525%	$ 456[1]	nil	NM
Teleco Oilfield Services/oilfield services	4/17/79	1,000	11.25	42.50	278	14,499	$0.67	63.4
Brae/railcar leasing	5/4/79	1,000	19.00	10.50	–45	30,168	1.54	6.8
American Vision Ctrs/retail vision stores	5/29/79	2,300	1.50	1.63	8	3,266	0.06	27.1
Greate Bay Casino/hotel and casino	5/31/79	1,029	25.00	12.75	–49	908	d1.75	d
Nicklos Oil & Gas/oil and gas	6/27/79	1,250	10.67	26.50	148	31,790	1.00	26.5
Xplor Energy/acquires mineral lease acreage	9/14/79	6,400	1.25	1.19	–5	0	0.01[1]	NM
TPEX Exploration/oil and gas	10/31/79	3,000	1.00	1.75	75	893	nil	NM
Lewis Energy/oil and gas	11/9/79	6,000	1.00	5.13	413	nil	d0.17	d
Land of Lincoln S&L/savings and loans	12/4/79	1,047	7.50	6.13	18	34,698	0.76	8.1
Moxa Energy/oil and gas royalties	12/20/79	1,000	7.38	11.50	56	950	d0.02	d
Encore Industries/slot machines	1/18/80	1,000	5.00	3.75	–25	nil[1]	d0.40	d
Naples Federal S&L Assn/savings and loans	2/14/80	1,167	14.13	16.38	16	51,014	2.31	7.1
Blocker Energy/oil and gas	2/28/80	1,250	14.00	26.50	89	76,722	1.20	22
Energy Methods/oil and gas	3/21/80	2,525	2.25	5.25	133	207	d0.02	d

[1] Interest income only. [2] Figure covers a period of less than 12 months. [3] Company estimate. NA: not available. nil: insignificant. d: negative. NM: not meaningful.

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Debutantes

Company/principal business	Date of offering	Number of shares offered (000)	Offering price	Recent price	% change in price	Revenues latest fiscal year (000)	Earnings per share latest 12 months	Price/earnings ratio
Freedom S&L Assn/savings and loans	5/13/80	2,389	$14.75	$12.00	−19%	$103,436	$ 0.62	16.7
Meta Systems/electronics	5/14/80	1,600	2.00	2.75	38	99[2]	0.35[2]	—
Storm King Mines/leasing, explor coal prop	5/19/80	3,500	1.00	2.88	188	nil	d0.09	d
Nitron/semiconductors	5/29/80	1,000	5.00	11.50	130	8,283	d0.40	d
Rocky Mountain Explor/oil and gas	6/4/80	3,000	1.00	2.63	163	NA	nil[2]	—
Intl Capital Equip Ltd/equipment leasing	6/12/80	1,500	5.50	9.50	73	302	d0.66	d
City Federal S&L Assn/savings and loans	6/18/80	2,396	11.00	9.00	−18	219,739	1.03	8.7
Andrew Corp/antennas, transmission lines	6/19/80	1,100	18.50	31.00	68	89,294	1.71	18.1
Empire Oil & Gas/oil and gas drilling	6/19/80	8,000	1.00	2.88	188	5,931	nil	NM
Gen Nutrition/retail health fds & cosmetics	6/19/80	1,000	15.00	27.50	83	195,085	1.45	19.0
Magnuson Computer Sys/computer equipment	6/25/80	1,000	20.00	29.50	48	10,674	0.43	68.6
Vac-Tec Systems/vacuum coating systems	7/1/80	3,000	1.00	2.13	113	1,130	d0.05	d
SPM Group/sells waste conversion equip	7/9/80	3,000	1.00	1.00	0	1,900[3]	d0.02	d
General Defense/manufactures tank ordnance	7/11/80	1,000	7.33	16.75	129	55,797	1.32	12.7
Aztec Resources/oil and gas	7/14/80	3,000	1.00	2.13	113	83[1, 2]	nil	—
Applicon/interactive graphics systems	7/22/80	1,000	22.00	31.75	44	50,776	0.92	34.5
Fossil Oil & Gas/oil and gas	7/22/80	6,000	1.00	3.25	225	nil[2]	nil[2]	—
Calvin Exploration/oil and gas	8/12/80	2,000	2.50	4.63	85	240	0.06	NM
Standard-Bred Pacers & Trotters/horses	8/13/80	1,000	3.00	3.63	21	31[1, 2]	nil[2]	—
Intl Picture Show/distr motion pictures	8/18/80	2,500	2.00	1.19	−41	3,306	0.07	17.0
ENEX Resources/oil and gas	8/19/80	3,000	1.00	4.63	363	43[1, 2]	d0.01[2]	—
Tyrex Oil/oil and gas	8/21/80	5,000	1.00	2.06	106	232[2]	d0.01[2]	d
United Petrosearch/oil and gas	8/23/79	3,700	1.00	2.06	106	957	d0.23	d
Griffin Petroleum/oil and gas	8/28/80	6,000	1.00	6.19	519	2,922	d0.03	d
Oklahoma Energies/oil and gas	8/29/80	2,500	2.00	5.63	181	155	d0.04	d
Rockwell Drilling/oil and gas drilling	9/5/80	3,000	1.00	1.88	88	1,612	0.05	31.3
Energy Assets Intl/fin for oil ind	9/9/80	3,000	1.00	1.25	25	99[1, 2]	d0.03[2]	d
Dakota Resources/oil and gas	9/15/80	3,500	1.00	2.88	188	nil	NA	—
Satellite TV & Assoc Resources/pay-TV sys	9/18/80	1,000	5.00	14.00	180	415	d1.92	d
Eagle Exploration/oil and gas	9/24/80	1,000	5.00	8.50	70	342[2]	0.14[2]	—
Genentech/genetic engineering	10/14/80	1,000	35.00	41.00	17	8,962	0.03	NM
Shannon Oil & Gas/oil and gas; oilfield svs	10/21/80	5,000	1.00	4.13	313	780[2]	d0.08[2]	d
Xicor/electronics	10/28/80	1,800	6.50	7.75	19	21[1]	d0.26	d
Micropin/pinball machines	10/30/80	1,500	3.00	2.88	−4	nil	d0.31[2]	d
Bogert Oil/oil and gas	10/31/80	8,720	1.00	1.88	88	7,022[2]	d0.01[2]	—
People Express Airlines/airline	11/6/80	3,000	8.50	8.50	0	6[1]	d0.15[2]	d
American Public Energy/oil and gas	11/12/80	1,500	7.00	7.00	0	2,327	0.30	23.3
Steiger Tractor/manufactures tractors	11/13/80	1,000	9.75	11.88	22	121	2.17	5.5
NIKE/footwear	12/2/80	2,377	22.00	19.75	−10	269,775	1.21	16.3
Dreco Energy Services Ltd/drilling, oilfield svs	12/3/80	1,500	17.50	23.25	33	91,138	1.19	21.3
Woodbine Petroleum/oil and gas	12/3/80	5,000	1.00	2.06	106	15	nil	—
C3/computer equipment	12/16/80	1,300	32.00	31.50	−2	13,984	1.21	26.0
Deca Energy/oil and gas	12/17/80	1,250	7.00	10.50	50	152	d0.04[2]	—
Drillers Inc/contract drilling	12/17/80	1,000	19.25	17.50	−9	18,758	1.13	15.5
Bellwether Exploration/oil and gas	12/18/80	1,000	5.00	4.38	−13	1,477	d0.02	d
Cytox/biochemical products	12/18/80	1,500	2.00	3.00	50	1,186	0.03	NM
Apple Computer/microcomputers	12/22/80	4,600	22.00	26.00	18	117,126	0.32	NM
Delmed/health care products	12/23/80	1,500	5.00	4.50	−10	6,700	d0.58	d
Matrix Science/electrical equipment	1/8/81	1,000	16.00	20.13	26	26,716	1.01	19.9
Information Retrieval Sys/computer equip	1/9/81	1,800	2.00	2.00	0	4,616	NA	—
Biotech Capital/venture cap for bioscience	1/23/81	1,760	7.50	8.75	17	NA	NA	—
Dysan/manufactures computer discs	1/27/81	1,100	13.50	17.00	26	62,871	0.42	40.5
Silicon Systems/semiconductors	1/29/81	1,150	11.00	9.75	−11	10,500	0.20	48.8
Enterprise Radio/sports radio network	2/3/81	1,000	5.00	4.75	−5	NA	d0.90[2]	—
Tandon/computer equipment	2/11/81	1,975	16.00	16.75	5	22,761	0.24	69.8
Micros Systems/computer equipment	2/12/81	2,000	2.50	2.88	15	6,735	0.10	28.8
FundsNet/electronic funds transfer	2/18/81	2,000	6.50	6.38	−2	3,217	0.07	NM
Cetus/genetic engineering	3/6/81	5,225	23.00	21.00	−9	9,622	0.04	NM

[1] Interest income only. [2] Figure covers a period of less than 12 months. [3] Company estimate. NA: not available. nil: insignificant. d: negative. NM: not meaningful.

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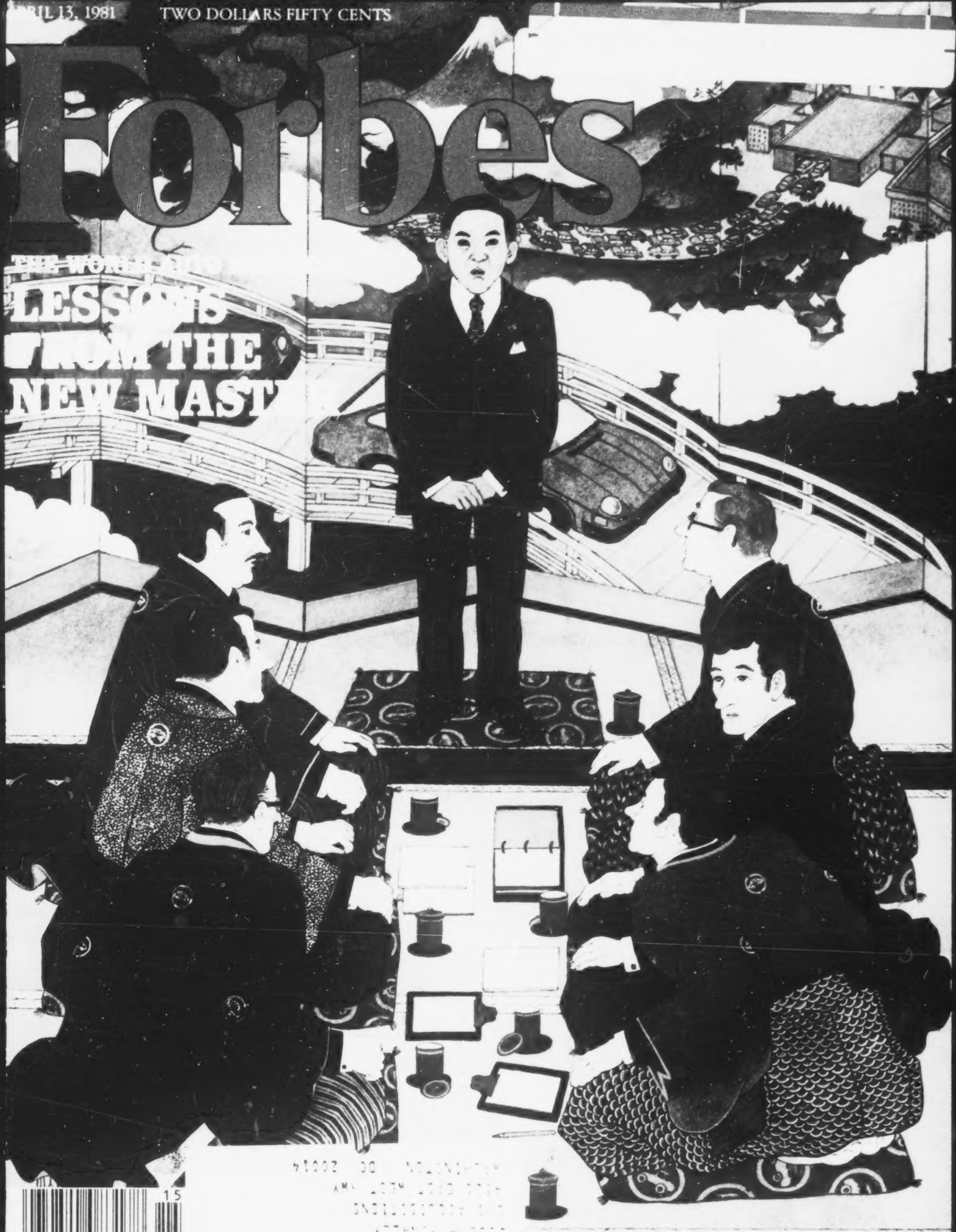

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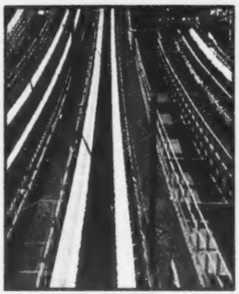
April 13, 1981
Volume 127, Number 8

119 Cover Story: Far from monolithic, Japan's auto industry may be the only truly entrepreneurial force operating in the automotive world today.

36 As a big auto and truck supplier, Fruehauf should be in trouble. Why, then, is Bob Rowan worried about a takeover?



43 Australia: If mining is the investment opportunity of the Eighties, this is where it's at.

56 Wilbur Mills: "This is strange coming from me, maybe. . . ."

Features

Companies: Ford Motor Co.
Ford lost almost $3 billion last year before taxes in North America, so why is it still paying a dividend? It's not the Ford family, but the Ford "extended family." 31

Companies: Apple Computer
Welcome to the big leagues. 32

Companies: Motorola
Beating the Japanese at their own game. 33

Companies: Prudential Insurance
Buying Bache looks like a good move. Is it? 34

Canada: Fallout From Trudeau's Energy Policies
Toronto money men are flocking to Texas. 35

Companies: Fruehauf Corp.
Optimism comes naturally to Robert Rowan. At Fruehauf these days, the facts may justify it. 36

Trucking: Independence For The Independents?
The ICC takes up a controversial rule. 38

Australia: Its Soaring Minerals Boom
For more than a century Australia's treasures of uranium, coal, iron ore, alumina were underexploited. Now, on a tide of foreign capital, the country is booming. 43

An Interview With Australian Prime Minister Fraser. 50

Taxes: A Chat With Wilbur Mills
A curious criticism from Congress' deposed tax czar. 56

Companies: Carlisle Corp.
Is the tire business flat? Put the rubber on the roof. 58

Exports: Showing The Way
How four small companies learned to sell abroad. 62

Companies: Merrill Lynch
The biggest brokerage house of them all takes aim at the class as well as the mass business. 71

Companies: Atlantic Richfield Co.
It took a while for others to see what Bob Anderson saw in 1977. What's ARCO looking at now? 72

Companies: General Host
Harris Ashton has finally made it the company he wants it to be. Which means no more excuses. 78

The Up-And-Comers: Control Laser And Koss Corp.
"Never be first," says the third-largest lasermaker; an inventor who learned the hard way—and the best way. ..83

Companies: Carnation Co.
After a somnolent decade, things may be happening. 95

Companies: Jack Eckerd Corp.
A superb retailer jumps into the home video wars. 96

Video Games: Invasion From The East
The hypnotic lure of the video game has created a $500 million market out of nowhere, now dominated by U.S. companies. But here come the invaders from Japan. 98

Companies: ODECO And Tidewater Inc.
Newcomers to oil and gas drilling could profitably study how the Laborde brothers built these two companies, each the leader in its industry. 103

Companies: Scitex Corp. Ltd.
Brash Efraim Arazi is a computer whizkid who also has the dollars-and-cents ability to run a company. 109

The Numbers Game: News From The Front
Early reports from the taxpayer's spring offensive. 115

Cover Story: How Japan's Automakers Did It
It was not Japan, Inc. that built what is now the world's largest automobile industry, but hardworking, intelligent business people applying the lessons of initiative and risk-taking they learned from America. 119

Companies: H&R Block
What happens after Apr. 15? Henry Bloch thinks he's found the answer. 130

Special Report: 1981 Annual Banking Survey
Performance and outlook for the nation's 100 largest bank-holding companies, 50 largest trust operations and 25 biggest savings and loans. 135

83 The Up-And-Comers: "We're building Fords not Maseratis."

103 ODECO and Tidewater: Two remarkable companies built by two remarkable brothers.

146 Words and taxes: "Paying through the nose" is not just a figure of speech.

162 Investor David Brown: Movies are work; investing is "almost recreational."

Taxes: Taxing Words
Etymologically speaking, they mean what they say. ...146

Health Care: Dr. Adam Smith
The coming age of the multihospital conglomerates. ..152

Mutual Funds: Making Dividends Tax-Free
Bracket creep and taxpayer sophistication have burnished an idea that's been around for a decade. 160

Profile: Moviemaker David Brown
Unlike many celebrities, the coproducer of *Patton* and *Jaws* manages his own money—and does it well. 162

Interview: The Future Of Workaday Capitalism
A wide-ranging discussion with Chairman of the Board and Editor-in-Chief Malcolm Forbes. 165

Companies: Eastern Gas & Fuel
Every week there's a new bid for a natural resource company, and Eastern Gas & Fuel is a tempting target. But Bill Pruyn has one asset that might scare off buyers. 174

Faces Behind The Figures

Robert Fomon and George Ball, *E.F. Hutton* 176
William Agee, *Bendix Corp.* 176
Stanley Mann, *Diamond Industries* 176
Sir Anthony Tuke, *Rio Tinto-Zinc* 177
Wassily Leontief, *Economist* 177
G. William Miller, *Ex-Treasury Secretary* 177
Stanley Sporkin, *Securities & Exchange Commission* 178
Ed Katz, *Amalgamated Bank of New York* 178
Edward A. Fox, *Student Loan Marketing Association* 178
Minoru Kanao, *Nippon Kokan K.K.* 179
Edsel Ford II, *Ford Motor Co.* 179

Personal Affairs

If you've ever fired someone, and subsequently get divorced, it might cost you a bundle. Also: "Creative" homebuilding financing, executive portraits, money market funds versus bank savings certificates, home safes and music festivals. 180

Money And Investments

What's Ahead For Business? 25
The Forbes Index 26
The Forbes/Wilshire 5000 Review 187

The Money Men: Gary Gastineau And Al Madansky
An analyst and a mathematician team up on options. .202

Statistical Spotlight: Public Brokers And Tax-Loss Leaders
Brokerage houses that may—or may not—be takeover targets. 203

The Streetwalker: Food Stocks, Xerox, Washington Gas
What's best in the perking-up food issues; Xerox meets the Japanese challenge; "Wiggley" may be wobbling. 206

Columnists

Ben Weberman 190
Heinz H. Biel 192
Ann C. Brown 194
David Dreman 196
John Train 197
Srully Blotnick 198
Ashby Bladen 200

Departments

Side Lines 6
Trends 8
Follow-Through 12
Readers Say 16
Fact and Comment.......19
Other Comments 22
Editorial Index 208
Flashbacks 209
Thoughts..........................212

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Why are foreign investors pouring billions into Australian natural resources? Because if mining is the investment opportunity of the Eighties, Australia is where it's at.

Australia's soaring minerals boom

By James W. Michaels

WE CANNOT VOUCH for its authenticity, but a very distinguished Australian businessman recently told us this story:

Although he was christened John Malcolm Fraser, nobody ever calls Australia's Prime Minister anything but Malcolm Fraser; the "John" has long ago atrophied. But when "Big Mal," as the Aussie press calls him, visited the White House a few years back, Jimmy Carter greeted him with, "How are you, John?" It seems Carter's staff work in this case was limited to a quick perusal of the *International Who's Who*.

Not many leading U.S. businessmen would have made the same mistake. For literally hundreds of them, the 7,300-mile commute to Down Under has become an exhaustingly familiar one and Big Mal a refreshing kind of politician. In fact, these businessmen—usually in partnership with local capital—are pouring so many billions into Australian natural resource development that they dwarf the takeover bids by oil companies in the U.S. for mining companies like AMAX and Kennecott. In a resource-short future, an Australian coal, copper or uranium mine may be a priceless asset.

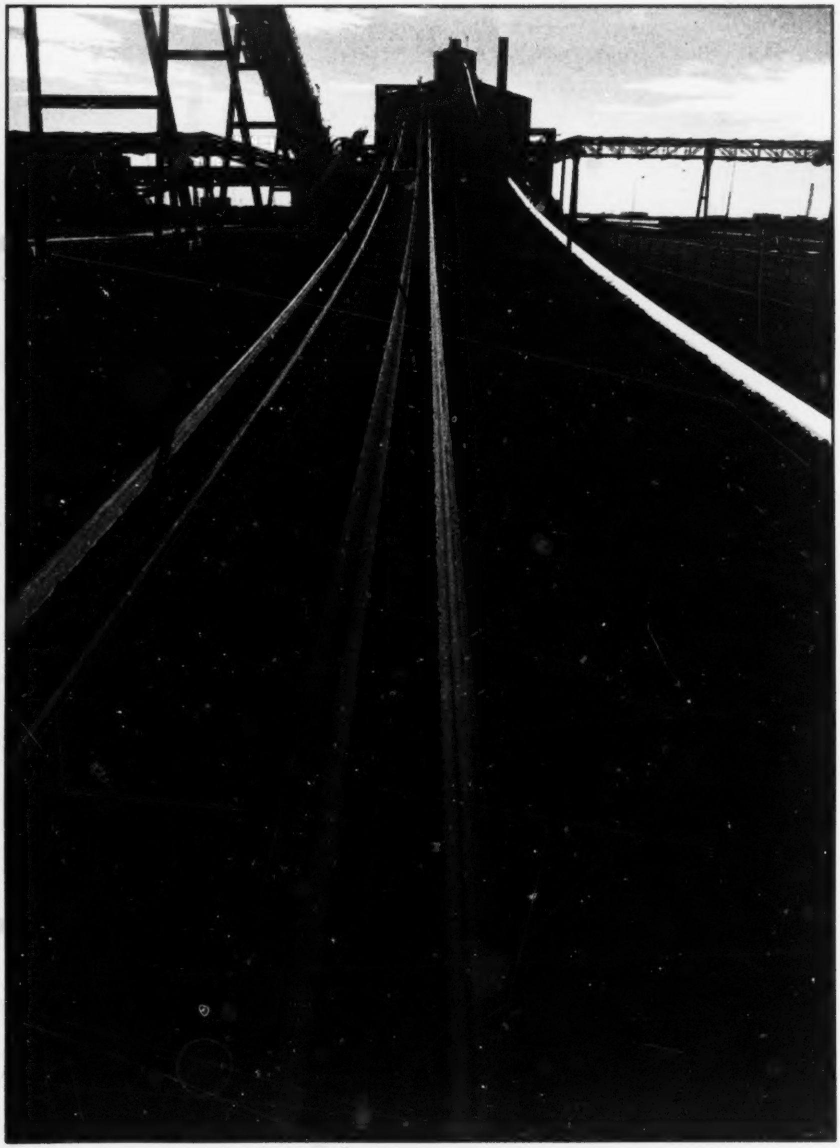
You need a few simple facts about Australia to understand why:

Imagine a United States with just 10 million people living on a narrow strip along the East Coast from Boston to Florida, a million in the South around New Orleans and a scant million more on the West Coast. There are also outposts in St. Louis and Chicago. The rest of the country is almost empty. That describes Australia. A continent almost as big as the U.S., it has only one-sixteenth the population—just 14 million people.

The reasons that kept most of Australia empty and unexploited were valid in the 19th century and well into the 20th: Virtually the whole center is barren, arid, bleak. The Outback is still as foreboding for habitation, but the reasons for its remaining unexploited are no longer valid. Under that arid bleakness lies a treasure trove of minerals, within reach of an advanced, educated populace willing to work for the high wages offered them.

Numbers can be boring, so a few brush strokes will suffice. Under this reddish-brown moonscape lie a fifth of the world's uranium, estimated coal reserves sufficient to meet current world demand for 56 years and more iron ore than Japan could use for the next 1,000 years.

Best of all, Australia has the elbowroom to exploit its wealth. Sir Gordon Jenkins is a thoughtful man who heads CSR Ltd., one of Australia's new billion-dollar natural resource companies. Says he: "Lots of countries have minerals but Australia has the land, the water, the environment, to develop them." He



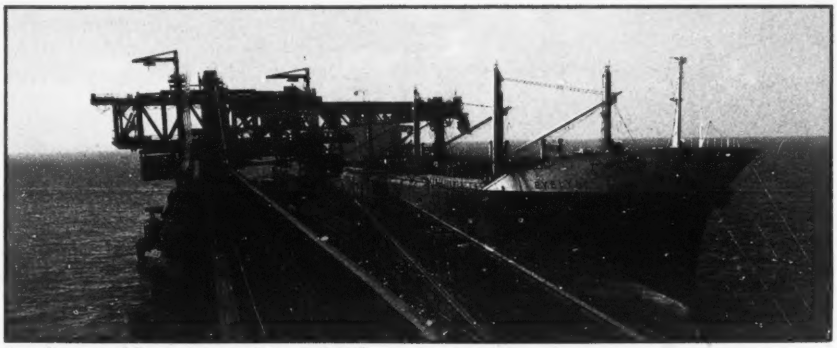
Iron ore conveyor in Western Australia

Best of all, elbow room to exploit their natural resources.

means that in those wide-open spaces, pollution is less of a problem than it is in the crowded U.S. or Western Europe. The bulldozers that strip the soil to bare the riches beneath are hardly destroying natural beauty. They need disturb no one. Australia can exploit her mineral wealth and still have recreational space and unspoiled landscapes to spare.

All this has not been lost on the world's investors either. Since 1974 huge amounts of foreign capital have flooded into Australia, growing from under $500 million in 1974 to $3.6 billion last year.

Oil companies pay huge premiums over market value to acquire mining companies. Seagram offered $2 billion for St. Joe Minerals, a staggering 17 times earnings. In mining and minerals processing, however, these are no longer extravagant sums. In the last five years alone, U.S. corporate, institutional and private investors have poured $4 billion into Australia. It's no secret General Electric's $2 billion takeover of Utah Mining—until recently the biggest such deal in history—was motivated in large part by Utah's huge holdings of Australian coal. Had it not been for its bold and pioneering backing of the Hammersley iron ore project in Western Australia in the mid-Sixties, Kaiser Steel might today be bankrupt; its solvency owes much to the sell-off, at a hugh profit, of its Hammersley holdings.



Loading coal for export in Queensland

In a natural-resource future, almost priceless assets.

Consider a few of the numbers involved in the Australian mining boom. Close to $40 billion is already committed to natural resource development in the first half of the 1980s. The biggest single piece of this, about $10 billion, is earmarked for coal, considerably more than will be spent in the U.S. on coal development in the next four years.

Unlike the situation in many other countries, energy isn't a problem in developing those raw materials. Australia produces 60% of its oil and has so much coal and uranium that, overall, it is likely to become a net energy exporter.

How much coal can 14 million people use? How much aluminum? Not a great deal. But Japan is hungry for resources and so is the rest of the world. Australia already exports huge amounts of coal to Japan and alumina to the U.S.

Do Australians resent all this foreign presence, all this churning up of the Outback? To a degree, inevitably, but the blow is greatly softened by the increasing partnership of local capital under guidelines that suggest at least 50% of the equity in most new natural resource projects be in Australian hands.

These guidelines are not the barrier they might be in less-developed countries: Australia is rich now and has a high savings rate. There is a growing—however slowly—pool of skilled Australian management personnel. The growth of the local capital markets has given Australians a new confidence that they can deal with foreign investment as equals. Turnover on the Sydney and Melbourne stock exchanges, which dragged along at maybe $6 million a day a half decade ago, now often hits $60 million a day. In February, Broken Hill Proprietary, Australia's huge oil, steel and iron conglomerate, successfully floated a rights offering that was huge even by U.S. standards—nearly $400 million.

Timid and undercapitalized until a few years ago, Australia's businesses and businessmen are now flexing their muscles. The mining giant Conzinc Riotinto of Australia (CRA) is superbly managed by any standard and so are many of the other mining conglomerates. Australian businessmen are becoming a factor on the international scene. Newspaper mogul Rupert Murdoch is the best known, but he is not alone. Sir Peter Abeles, the dynamic boss of Australia's TNT transport company, has made acquisitions in the U.S. and so has Australia's exceedingly well managed building and real estate outfit, Lend-Lease, which is involved in a California land development.

The Australian stock market turned weak early this year: The decline in the price of gold hurt. So did the attraction for international money of high interest rates in the U.S. Viewed in perspective, however, this was only an interruption in a powerful bull market that carried the Sydney All Ordinaries composite stock index from 260 in early 1976 to as high as 776 in 1980. British investors, long active on the Australian scene, helped fuel the boom. Americans, relative newcomers as portfolio investors here, came in small but increasing numbers. There was also Arab money, and Asian money of all kinds.

Already some of the local companies have become American-size. Broken Hill Proprietary, traded in the U.S. through American Depository Receipts, has 170,000 stockholders and a market capitalization of nearly $5 billion. Sir Roderick Carnegie's CRA is well over $2 billion. There are already eight Australian companies with a market value of $1 billion or better.

And yet, less than a decade ago, Australia came close to blowing the whole thing. After 21 years out of power the Labor Party won in 1972, led by Gough Whitlam, a pretentious man utterly ignorant of economics. Whitlam announced he was going to build a new Australia and make business pay for it. He was going to stop the "despoliation" of Australia's hinterland by foreign investors. Australians were going to "buy back the farm." After boosting government outlays by nearly half in one wild spendthrift year, pushing the inflation rate to 17%, almost shutting down the mineral boom and playing footsie with a shady character who promised an international loan of $4 billion, Whitlam was booted into well-deserved obscurity in 1975. A relatively conservative government came in, headed by Malcolm Fraser and has remained in power through three elections.

Can Australia blow it again? It's not impossible. The election results are usually fairly close and the Labor Party has a radical fringe dedicated to banning uranium development and ousting foreign investors. Many of the intellectuals openly yearn for the days of Gough Whitlam.

Out of power, the Labor Party talks moderation. The Labor Premier of New South Wales, an attractive politician named Neville Wran, is working hard to bring billions of dollars' worth of aluminum plants to depressed areas of his state. Says Wran: "Talk about government ownership is a one-way ticket to political oblivion in this country." Yet there is no doubt that a Labor government would reverse the present trend toward less government spending.

Even Bob Hawke, Labor's brilliant and popular shadow minister of industrial relations in parliament, speaks of spending much more heavily on foreign aid as a means of playing a bigger role in Southeast Asia. There can be no doubt that a Labor government would pour more money into the public sector. This could result in either higher inflation or increased taxes, or both, in a nation where the top tax bracket is 60% for that gross income above $34,478 (Australian). Higher inflation and higher taxes both would spell trouble for the mining boom.

Nevertheless, the present middle-of-the-road government is by no means certain to stay in power. Painfully, and using measures that are not always popular, it has cut taxes, reduced government spending and brought inflation down to relatively low levels. But thanks to the mining boom, there are serious shortages of skilled labor, and the danger of speeded-up wage inflation hangs heavy. In some remote mining areas, skilled workers make close to $50,000 (Australian) a year. If that kind of wage inflation spills into the more populated areas, look out! But how do you persuade people to exercise wage restraint when their country is in the grip of a great mining boom?

Another drawback to the development of all this wealth is the Australian character itself. "Arrogant" is the all-purpose word in Australia for any person who gets ahead too fast or distinguishes himself or herself from the crowd—a legacy perhaps of Australia's convict past and its long-vanished frontier traditions. The term is applied equally to Prime Minister Fraser and some of his prospective replacements, including Laborite Bob Hawke, a onetime Rhodes scholar.

Australians themselves speak of the "great Australian sloth." This is not to say that Australians are lazy, but life is relatively easy here. The beaches are close to the cities and uncrowded. The climate is mild along the coasts. Keeping up with the Joneses American-style has never really caught on. The work ethic, if not weak, is hardly urgent. The Ameri-

Down under, how to buy in

Says Don Gimbel, Kidder, Peabody's vice president covering Australia and New Zealand: "I spend most of my time telling people not to buy blindly in Australia and to stay with quality." Below are listed some of Australia's largest enterprises. Because they are regarded as growth stocks, the natural resource companies command the highest P/E ratios; there, as here, banks rate the lowest. Nine of Australia's ten largest companies are in natural resources.

Besides Kidder, several other U.S. brokers deal in Australian securities, among them Salomon Brothers and Merrill Lynch. Your Aussie stock is kept in a custodian account in an Australian bank, but, if you want to take physical delivery, you must go by way of American Depository Receipts, which carry slight fees upon purchase, sale and dividend disbursement. Australia levies a 15% withholding tax on dividends, but that can be offset against U.S. taxes. Some 27 Australian companies traded on the Sydney exchange can be followed in the *New York Times*.

One of the best sources for information is the Australian Consulate-General library, 636 Fifth Avenue, New York, N.Y. 10111, which carries background information on leading Australian companies. Other Australian government offices are located in Washington, San Francisco, Chicago, Los Angeles and Honolulu.—Jeff Blyskal

Rank	Company/business	Market capital (mil)*	Recent stock price*	1980-81 high-low*	Market price/book value	Price/earnings ratio	Dividend yield %
20 largest natural resource companies in Australia							
1	• **Broken Hill Proprietary** iron, steel, oil	$4,715	$15.97	$20.59–$13.34	1.2	7.8	3.0%
2	**Conzinc Riotinto of Australia**/mining	2,195	5.38	8.31–5.09	1.4	10.8	4.1
3	• **MIM Holdings**/mining	2,095	4.68	6.97–3.51	3.0	12.8	5.0
4	• **CSR**/mining, chemicals, sugar	1,974	7.61	9.36–5.09	1.7	15.4	2.8
5	• **Western Mining Corp**/mining	1,419	5.52	7.96–4.10	3.5	21.3	3.0
6	**Comalco**/aluminum	1,227	6.55	7.28–4.62	1.5	13.9	2.6
7	• **Woodside Petroleum**/oil and gas	1,219	3.04	4.56–1.99	NA	NM	0.0
8	• **Santos**/oil and gas	1,049	20.48	22.58–6.67	NA	91.0	0.6
9	**Energy Resources Australia**/uranium	876	2.15	3.51–2.11	NA	NM	0.0
10	**Hamersley Holdings**/iron ore	853	3.51	5.50–3.45	2.5	12.2	5.3
11	**Bougainville Copper**/copper	734	1.83	3.66–1.70	1.6	6.7	13.7
12	• **Southern Pacific Petroleum**/oil and gas	572	2.43	5.03–1.23	NA	NM	0.0
13	**North Broken Hill**/mining, oil, gas	538	3.69	5.21–3.22	1.5	9.4	5.7
14	• **Peko Wallsend**/coal and minerals	522	9.10	14.98–7.72	1.9	9.5	2.9
15	• **Central Pacific Minerals**/oil & min prspctng	495	5.97	13.69–3.16	NA	NM	0.0
16	• **Boral**/quarrying	485	4.10	4.21–2.08	1.3	11.8	3.6
17	**EZ Industries**/lead, zinc	479	6.32	9.95–5.73	2.0	11.1	7.4
18	**Coal and Allied**/coal	427	15.21	17.08–8.31	3.8	200.6	1.5
19	**Ampol Petroleum**/oil and gas	417	2.04	2.41–1.11	1.5	11.6	4.3
20	**BH South**/copper	339	6.08	6.44–4.68	1.3	47.6	1.5
10 largest Australian companies in manufacturing and retailing							
1	• **GJ Coles**/retailing	580	2.88	2.93–1.92	1.6	9.3	6.1
2	**ICI**/chemical products	484	2.61	3.42–2.12	0.8	6.2	6.7
3	**Pioneer Concrete**/quarry products	478	2.69	3.10–1.85	1.9	13.0	4.3
4	• **Australian Paper Mfrs**/paper products	424	2.63	2.71–1.70	1.2	7.5	6.7
5	• **Meyer Emporium**/retailing	387	2.08	2.11–1.58	0.7	9.8	5.9
6	**Woolworths**/retailing	334	2.29	2.32–1.65	1.3	7.7	6.6
7	**Carlton United Breweries**/brewing	325	2.63	2.71–1.88	1.2	9.9	6.2
8	**James Hardie**/building materials	311	4.75	5.09–3.03	0.8	9.2	4.9
9	**Castlemaine Tooheys**/brewing	276	4.10	4.45–3.33	1.0	7.9	5.7
10	**Dunlop Olympic**/tires and rubber	253	1.31	1.64–0.82	1.0	6.2	7.1
5 largest Australian banks							
1	• **ANZ Bank Group**	913	5.27	5.32–3.84	0.8	5.7	5.3
2	• **Bank of New South Wales**	841	3.57	4.10–3.16	0.8	5.8	5.9
3	• **National Bank**	524	3.51	3.51–2.71	0.9	5.9	6.0
4	• **Commercial Bank of Australia**	244	3.63	3.15–2.48	0.8	5.4	6.5
5	• **Commercial Banking Co of Sydney**	215	3.98	3.55–2.40	0.9	4.8	6.5

Note: All data as of Feb. 28, 1981. •Available in American Depository Receipts. *U.S. dollars. NA: Not available. NM: Not meaningful.

Source: The *(Australian)* National Times.

can term is "laid back." This helps contribute to a certain irresponsibility when it comes to strikes. "Unfortunately," says an Australian businessman, "the strike tends to be the first weapon labor uses here, not the last as in the U.S. and elsewhere." Accustomed to an all-encompassing welfare state, the electorate tends to resent the cutbacks in social spending the Fraser government has made. Like all industrial nations, Australia suffers from growing unemployment among the young for which the government in power tends to get blamed. The trouble is that the mining and processing of raw materials provides jobs for skilled workers, not for untrained kids.

Australia, in short, has problems, and if they may not look like problems to people in poorer countries, they still present a tough challenge to Australia's businessmen and politicians. "The big question here," concedes Industrial Relations Minister and former Foreign Minister Andrew Peacock, "is: Will any government be able to handle the effects of the resources boom?"

On the positive side, the Australian people are becoming increasingly middle class and increasingly skeptical of political rhetoric. The opposition, or at least its moderate wing, understands that Australia needs foreign investment if it is to have those two cars in every garage. A Sydney taxi driver, an emigrant from union-cursed Britain, says, "The family comes first with the Australian workingman, not his union. He wants to know what's in the pay packet, not what it is the union leaders want." Andrew Peacock points out that the consequences of Trudeau's antibusiness policies in Canada have not been lost on the Australians; Trudeau has paid a fearful price in a capital flight from Canada *(see p. 35)* that can only result in growing unemployment.

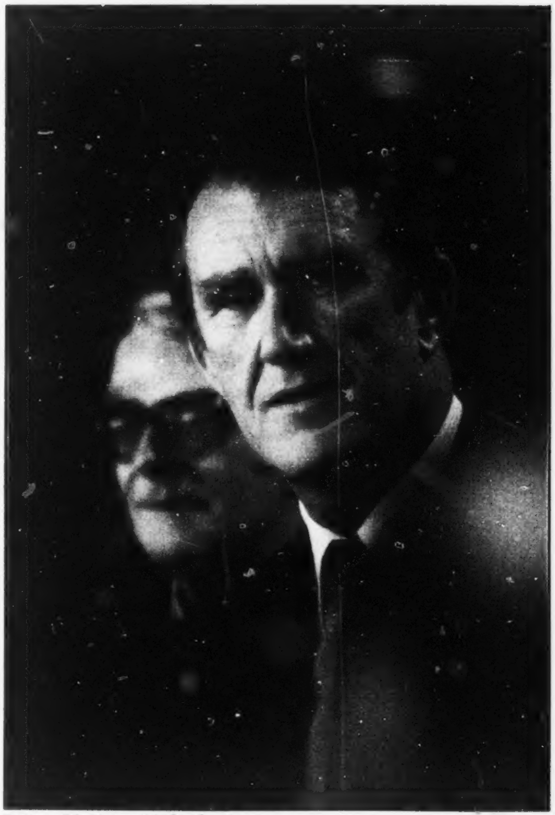
So what should an investor make of all this? The bottom line for American businessmen and investors is that Australia is too good an opportunity to pass by. But remember, Australia is not the U.S.

Sir Arvi Parbo, one of Australia's leading industrialists, brings an unusual perspective to the scene. A native of Estonia, he came to Australia as a refugee after World War II and worked up from the bottom to the chairmanship of Western Mining Corp., a front-runner in the minerals boom. We asked Parbo what advice he had for American businessmen and investors. He replied: "Tell them not to be overoptimistic and above all not be in too much of a hurry. We can't rush headlong into mineral development. We have to persuade the man in the street that there's something in it for him."

Sound advice. But is the man in the street getting the message? We put *that* question to Prime Minister Malcolm Fraser in the interview that follows. ■

How Australia cut taxes, reduced both inflation and the federal deficit and reopened its doors to foreign investment.

An interview with Australian Prime Minister Fraser



Prime Minister Malcolm Fraser

"My opponents are damned lucky I'm not popular."

THE LEADER OF THE conservative Liberal-National Country Party coalition is Prime Minister Malcolm Fraser, 50. Raised on a sheep ranch, he was educated at Oxford University and so combines a farmer's practicality with an intellectual's broader vision.

Yet he has problems. Tall, distinguished-looking but aloof, almost shy, Fraser has none of the "matey-ness" that Australians profess to find attractive. He walks a difficult line in espousing free-enterprise policies in a nation that has traditionally been suspicious of wealth and accustomed to the welfare state.

Fraser was interviewed in Canberra recently by FORBES President Malcolm S. Forbes Jr. and Editor James W. Michaels. Highlights of the interview follow:

FORBES: Your party is committed to free-enterprise policies, but the Liberals may not be in power forever. What can you say to foreign investors who were burned once before when your predecessor Labor government turned hostile to foreign investment? It was the same old story: Investment comes in under one set of rules and then finds that the rules are abruptly changed unilaterally.

Fraser: Remember we have had three of the largest majorities in the history of Australia, one after the other. Australians have learned a great deal from those years [of hostility toward foreign investment under Labor]. Our people would not have any of those policies again. They were deceived before; they were not warned that government expenditures would go up 46% in one year. It was madness compounded on madness. There is no way our people would go back to that.

Remember that we went into the 1980 election with a pretty courageous oil-pricing policy in a country where distances are large—where one or two mo-

1981 Annual Banking Survey

The banks are headed this year for loan losses in amounts that haven't been seen since 1975-76. Why, then, are bank stocks doing so well?

Risk-free banking? There's no such thing

By Ben Weberman

TO JUDGE BY THEIR popularity on Wall Street lately, you'd think the banks didn't have a worry in the world. Big and small, money center and regional, bank stocks have been showing strength not seen in years: both Citicorp and Continental Illinois stocks have increased by almost 20% since Nov. 16, 1980; regionals like North Carolina National Bank have jumped more than 23% and Valley National Bank is up 16% in the same period. S&P's average of bank stocks is up 17% since November, *vs.* a 3.5% loss for the S&P's 500.

It's a measure of how deep investors' distrust of bank stocks had been since the banks' heavy writeoffs on real estate loans in 1975 and 1976 that, even now, the S&P's bank stocks are selling at little more than 5 times their estimated 1981 earnings, *vs.* more than 8 times for the S&P's 500 stocks. So, despite their recent strength, bank stocks continue to look good to a number of influential analysts. Says Charles H. Lott, president and director of research of Keefe, Bruyette & Woods, the bank stock dealers: "Bank stocks are still dirt cheap."

So they may be if—and it's a very big if—1981 earnings meet present expectations. There is good reason to doubt that they will. Last month A.W. Clausen, president and chief executive officer of BankAmerica Corp. (soon to depart for the top post at the World Bank), ticked off four factors that would prevent BofA's earnings in the first quarter of 1981 from matching, never mind beating, profits in the first quarter of 1980: 1) higher operating expenses, caused by inflation, 2) "less than normal" growth in loan demand and net interest revenues, 3) "extraordinarily high" short-term interest rates, squeezing the spread between interest rates on BofA's deposits and the money it borrows and lends, and 4) growing competition from nonbanks.

Whether the first-quarter pattern will prevail all year is anybody's guess.

Undiscussed by Clausen but very much on the minds of bankers right now is yet another worry—the prospect of losses on loans to strapped corporate borrowers. "Many companies are running out of cash and are in industries where they can't pass along high interest rates to their customers," says John F. McGillicuddy, chairman of Manufacturers Hanover Trust Co. "Our losses on loans to corporations will eat into domestic operating profits this year."

U.S. banks will likely suffer heavier loan losses in 1981 than in any year since 1975-76, when failing real estate invest-

A few superlatives

Performance highlights, drawn from the tables on the following pages.

Biggest—fastest			Smallest—slowest	
Citicorp (NY)	$114,920	**Total bank assets[1]—1980**	First National Bancorp (Colo)	$2,499
Mercantile Texas (Tex)	36.3%	**Growth of assets[2]** Industry median: 12.3%	Fidelcor (Pa)	–1.5%
BanCal Tri-State (Cal)	61.1%	**Growth of earnings per share[2]** Industry median: 15.2%	First Pennsylvania (Pa)	P-D
Allied Bancshares (Tex)	23.6%	**Four-year return on equity** Industry median: 13.8%	First Pennsylvania (Pa)	–6.2%
Trust Co of Georgia (Ga)	7.07%	**Net interest margin—1980** Industry median: 4.49%	First Chicago (Ill)	1.77%
JP Morgan (NY)	$36,119	**Value of managed trust assets[1]**	Hartford National (Conn)	$2,822
Home Federal S&L (Cal) Twin City Federal S&L (Minn)	1.37% 1.37%	**S&Ls' spread between earnings assets and cost of funds**	Talman Home Federal S&L (Ill)	–1.17%

[1] Dollar value in millions. [2] Compounded annual rate 1976/1980. P-D profit to deficit.

1981 Annual Banking Survey

100 largest bank holding companies: a statistical profile

Rank	1980 size measures ($millions) Total assets	Total deposits	% domestic demand deposits	Total loans	Loan loss res as % of loans	Total invest-ments	Standby letters of credit	Total capital	Long-term debt % capital	Total operating income	Net income[4]	Company and headquarters
1	$114,920	$71,771	14.0%	$70,421	0.8%	$6,695	$10,084	$9,853	60.1%	$14,211	$507.0	Citicorp (NY)
2	111,617	88,426	14.7	63,022	0.9	7,431	2,824	5,177	24.5	12,075	645.0	BankAmerica (Cal)
3	76,190	56,846	25.8	46,974	1.1	4,738	3,500	4,239	36.6	8,003	364.7	Chase Manhattan (NY)
4	55,522	41,745	32.1	30,621	1.0[5]	2,693	2,030	2,640	34.8	5,189	230.2	Mfrs Hanover (NY)
5	51,991	35,594	30.0	26,209	1.0[5]	4,584	2,753[6]	2,758	20.9	5,173	367.7	J P Morgan (NY)
6	42,089	27,314	19.2	26,784	1.0[5]	2,506	2,610	2,201	30.7	4,716	224.1	Continental Illinois (Ill)
7	41,342	30,067	31.9	22,362	1.0	3,264	3,019	1,953	30.5	4,300	175.2	Chemical New York (NY)
8	34,202	23,816	30.7	17,195	1.2	2,315	2,623	1,457	20.6	3,639	180.9	Bankers Trust NY (NY)
9	32,110	24,864	34.9	17,937	1.3	4,809	721	2,087	32.9	3,296	233.4	Western Bancorp (Cal)
10	28,699	21,361	15.3	16,939	0.9	1,621	1,419	1,533	21.4	3,415	66.5	First Chicago (Ill)
11	27,794	21,169	28.6	18,333	1.0[5]	2,314	1,067	1,818	35.6	3,117	181.9	Security Pacific (Cal)
12	23,638	16,207	26.3	16,105	0.9	1,672	398	1,718	46.8	2,545	121.7	Wells Fargo (Cal)
13	19,063	14,909	27.6	12,402	1.1	1,181	504	999	26.1	2,006	95.1	Crocker National (Cal)
14	18,090	14,163	41.2	8,576[5]	1.5[5]	1,454	546	840	30.6	1,740	85.8	Irving Bank (NY)
15	17,480	14,163	25.4	9,697	1.2	1,268	514	1,114	31.6	1,859	58.4	Marine Midland Banks (NY)
16	16,156	10,890	25.0	7,982	1.6	1,121	214	1,306	31.0	1,595	114.2	Mellon National (Pa)
17	15,948	10,815	20.1	8,563	1.3	1,875	360	1,192	38.7	2,333	103.1	First Natl Boston (Mass)
18	14,395	11,044	28.4	7,693	1.0	2,448	156	1,178	31.0	1,478	116.7	Northwest Bancorp (Minn)
19	13,781	10,076	31.0	7,068	1.1	2,229	486	1,080	36.3	1,383	122.0	First Intl Bancshs (Tex)
20	13,475	9,768	29.7	7,233	1.0	2,509	371	1,134	30.3	1,336	111.6	First Bank System (Minn)
21	11,867	8,473	30.4	6,109	1.2	1,709	309	792	26.3	1,246	88.1	Republic of Texas (Tex)
22	11,287	8,651	39.5	5,730	1.2	1,576	287	633	8.9	1,029	103.0	Texas Comm Bancshs (Tex)
23	11,275	8,722	35.4	5,444	1.4	2,002	285	647	11.1	1,061	90.4	First City Bancorp (Tex)
24	10,869	[illegible]	30.4	5,285	1.3	1,837	47	773	14.4	1,023	80.0	National Detroit (Mich)
25	10,423	8,319	27.9	5,711	0.8	1,065	156	433	8.9	1,102	50.5	Bank of New York (NY)
26	9,588	7,239	29.8	6,200	1.1	512	158	609	20.3	1,037	69.8	Seafirst (Wash)
27	7,771	5,981	38.4	4,532	1.2	639	212	436	28.2	823	30.1	European American[7] (NY)
28	7,176	5,060	32.2	3,190	1.2	776	82	529	33.8	742	47.7	NCNB (NC)
29	7,004	4,999	45.6	3,829	1.1	1,177	139	367	15.0	681	32.5	Union Bank[7,8] (Cal)
30	6,905	4,759	32.0	3,504	0.8	721	[illegible]	353	0.6	726	33.0	Harris Bankcorp (Ill)
31	6,447	4,394	9.3	2,590	2.1	1,026	76	487	36.4	771	74.0	Republic New York (NY)
32	6,225	4,176	28.3	3,130	1.1	827	170	410	14.2	632	55.6	Pittsburgh Natl (Pa)
33	6,210	4,172	42.3	3,223	1.2	721	92	449	25.9	659	40.8	Philadelphia Natl (Pa)
34	5,854	4,397	38.6	2,548	1.4	1,088	45	485	34.8	603	47.9	Southeast Banking (Fla)
35	5,849	4,163	30.6	2,865	1.1	571	172	324	9.3	616	33.1	Northern Trust (Ill)
36	5,757	4,710	24.3	3,692	0.6	899	19	456	27.5	605	40.7	Michigan National (Mich)
37	5,733	4,785	32.7	3,626	1.3[5]	806	58	306	0.2	604	53.2	Valley National Bank[8] (Ariz)
38	5,728	1,969	40.0	4,087	2.1	401	98[6]	1,352	73.1	772	43.0	Walter E Heller Intl[10] (Ill)
39	5,693	4,455	27.1	3,386	1.0[5]	626	68	311	6.2	575	15.4	Natl Bank of N Amer[7,8] (NY)
40	5,668	3,977	22.9	2,649	1.1	1,336	54	352	9.2	528	39.1	DETROITBANK (Mich)
41	5,654	4,030	36.4	2,937	1.2	682	54	371	4.4	552	54.3	Wachovia (NC)
42	5,602	3,936	27.1	3,148	1.1	1,182	64	534	0.0	566	58.4	AmeriTrust (Ohio)
43	5,497	3,619	27.5	3,420	1.4	967	89	873	75.3	756	—73.6	First Pennsylvania (Pa)
44	5,490	3,425	29.7	2,212	1.4	1,266	41	432	16.5	523	52.0	National City (Ohio)
45	5,460	3,907	41.2	3,228	1.3	917	183	396	29.5	554	49.7	Mercantile Texas (Tex)
46	5,222	3,833	27.3	3,327	1.0	472	35	362	17.3	569	39.4	Rainier Bancorp (Wash)
47	5,002	3,917	29.5	2,702	0.9	1,166	84	306	4.5	512	18.7	BancOhio (Ohio)
48	4,879	3,681	30.2	3,320	0.9	634	37	588	38.0	527	58.2	U S Bancorp (Ore)
49	4,769	3,724	26.9	2,879	0.9	844	69	310	16.7	481	27.1	Manufacturers Natl (Mich)
50	4,646	3,071	36.7	2,144	1.2	746	60	343	27.6	467	37.8	Mercantile Bancorp (Mo)

[1] Four-year average is a compounded annual rate: 1976/80. [2] From continuing operations after security gains or losses excluding gain on sale of operations and extraordinary sale of operations and extraordinary items. [5] Includes leases. [6] Includes guarantees. [7] Company not publicly traded; stock data not available. [8] Bank only; not organized as a def: deficit. NA: Not available.

Growth measures[1]							Profitability & cost measures			Stock data			
Average assets 4-year average	Average assets 1980 vs 1979	Equity per share 4-year average	Equity per share 1980 vs 1979	Earnings per share[4] 4-year average	Earnings per share[4] 1980 vs 1979	Dividend 4-year average	Return on equity 4-yr avg	Net interest margin[3] 1980	Overhead times NI 1980	Recent price	1980 EPS[4]	P-E ratio	Current yield
16.3%	13.6%	10.5%	9.3%	5.8%	−7.4%	10.3%	15.2%	2.86%	5.2	22¼	$ 4.02	5.7	6.2%
12.7	10.4	12.4	12.6	16.1	6.8	15.6	18.3	3.45	3.6	27⅝	4.38	6.2	5.3
12.3	14.3	7.8	11.1	29.3	15.2	6.2	12.3	3.17	4.0	46⅛	10.15	4.6	6.6
13.5	15.7	8.6	8.8	9.3	7.0	8.8	14.5	3.25	3.8	32¼	6.87	4.6	8.3
16.8	18.9	10.7	11.8	13.4	17.8	11.7	15.4	2.67	1.7	51¼	8.33	6.2	6.9
17.7	19.0	10.8	11.6	12.2	15.2	9.0	16.0	2.55	2.5	34⅛	5.75	6.0	5.2
11.5	12.2	6.3	9.3	14.6	29.5	4.2	12.7	3.32	4.5	51½	11.05	4.7	7.5
11.0	14.3	7.4	14.0	33.2	55.1	2.4	13.1	3.07	3.2	31	7.21	4.3	6.0
12.3	9.9	11.6	12.4	23.8	5.9	17.7	16.5	4.86	4.2	37⅛	5.70	6.5	5.0
11.5	12.4	5.8	1.1	−12.2	−43.8	5.7	10.0	1.77	7.1	15½	1.59	9.7	7.7
14.1	12.2	11.1	12.2	21.8	10.3	13.7	16.6	3.93	4.3	36	6.55	5.5	5.6
15.6	14.5	10.5	9.2	14.5	−2.2	17.5	15.6	3.89	4.9	27	5.33	5.1	7.1
12.5	15.6	9.3	7.6	16.2	1.2	6.7	15.2	4.98	5.9	39¼	6.76	5.8	6.1
12.6	11.0	9.4	12.1	18.8	24.8	8.0	14.0	3.83	4.1	47⅝	9.70	4.9	6.4
11.7	11.7	4.2	3.6	38.6	9.1	1.5	7.1	3.38	6.4	17¼	3.47	5.1	5.9
11.5	17.9	7.7	9.1	15.0	16.5	9.8	12.1	3.28	2.3	31¾	5.73	5.5	6.4
16.6	20.1	7.6	10.0	23.0	20.2	4.0	12.5	3.93	4.1	37¾	8.22	4.6	6.6
14.3	12.7	10.6	10.5	13.8	6.3	13.5	15.6	4.09	3.3	31	4.39	7.1	4.8
14.2	12.0	12.9	13.9	17.3	18.4	15.7	18.3	4.16	2.0	52¼	5.66	9.2	3.4
14.2	12.1	10.6	11.0	15.0	9.1	10.2	15.4	4.08	2.7	43¾	7.42	5.9	5.6
18.3	13.5	12.9	12.8	20.0	18.8	11.7	15.2	3.56	2.4	39⅛	4.81	8.2	3.6
16.7	12.7	14.4	15.7	20.2	22.1	12.5	18.7	4.60	1.9	34	3.48	9.8	2.7
14.4	12.8	12.6	15.1	19.4	23.8	15.3	16.9	4.56	2.6	60½	6.61	9.2	3.5
8.3	11.3	8.4	8.2	9.0	−2.6	9.3	12.9	3.90	3.0	26⅞	6.08	4.4	7.4
21.6	19.4	6.2	5.1	8.0	6.2	6.1	12.5	3.29	4.7	35¼	7.49	4.7	8.5
16.1	13.7	11.9	11.1	13.6	4.7	12.6	16.0	4.78	4.1	28¾	4.48	6.3	4.5
14.6	13.3	11.9	7.8	36.0	46.7	—	8.0	3.49	4.9	—	—	—	—
12.5	16.1	10.1	10.2	22.1	7.4	10.0	14.5	3.78	3.4	15¼	2.60	5.9	5.2
12.0	5.0	12.3	15.2	19.9	−5.6	—	12.7	4.96	6.1	—	—	—	—
10.5	7.8	5.3	5.0	−2.9	3.0	7.5	9.8	2.91	5.1	26¼	4.51	5.8	7.6
35.8	56.6	16.9	28.2	30.6	85.3	30.4	21.1	3.47	1.9	28¾	5.15	5.6	4.2
15.4	22.2	8.8	9.5	11.9	6.4	11.5	14.1	3.85	2.7	46	7.77	5.9	6.5
10.4	9.1	7.1	7.9	9.5	19.4	5.9	11.6	4.49	4.7	31¼	6.89	4.5	9.3
12.6	23.0	6.2	11.1	31.2	16.6	15.9	12.8	5.37	4.0	19⅞	3.23	6.2	5.0
11.9	9.9	7.3	7.3	4.5	17.9	8.5	10.9	3.29	4.5	36	6.51	5.5	6.8
11.3	5.8	13.0	9.5	8.0	−9.3	19.5	16.6	4.90	4.6	18½	3.98	4.6	6.5
14.3	14.1	13.1	14.5	26.1	13.1	14.3	18.1	5.49	3.5	36⅞	5.26	7.0	4.3
12.1	9.8	8.6	8.8	11.7	6.2	9.2	13.8	4.75[9]	3.1[9]	23⅜	3.61	6.5	5.6
15.8	17.0	5.7	0.3	10.9	−9.4	—	6.1	3.70	9.4	—	—	—	—
12.1	8.5	9.2	8.0	7.0	−12.2	13.4	13.6	3.43	3.4	20	4.19	4.8	10.0
11.7	12.2	9.7	10.6	11.3	13.7	9.6	13.9	5.12	3.3	22¼	3.08	7.2	4.3
7.6	6.0	6.9	5.5	5.3	−9.4	11.3	11.5	4.55	2.7	30	5.62	5.3	9.1
2.1	−19.8	−11.7	−39.3	P-D	P-D	−36.1	−6.2	2.46	—	4⅛	−9.28	def	0.0
14.3	20.0	9.2	7.8	4.3	−2.9	11.6	15.6	4.16	2.4	33½	5.97	5.6	8.2
36.3	12.6	13.8	13.6	17.5	19.1	11.7	19.9	4.71	2.5	26¼	2.99	8.8	3.8
14.3	9.2	11.2	9.8	10.7	1.0	18.7	13.3	5.27	4.5	25¾	4.15	6.1	5.4
8.7	5.6	3.8	−1.1	−22.8	−73.3	6.5	8.8	4.02	20.5	14	0.99	14.1	5.7
11.1	9.8	13.6	13.3	15.3	10.4	10.4	18.1	5.71	2.6	29	4.03	7.2	4.1
12.3	6.9	8.5	6.7	8.5	−15.2	12.0	13.8	3.85	4.5	21½	5.48	3.9	10.2
11.6	9.9	7.9	10.4	13.9	17.2	2.2	14.8	3.78	2.6	26⅞	6.42	4.2	9.2

items. [3]Net interest income on a tax equivalent basis as a percentage of average earning assets. [4]From continuing operations before security gains or losses excluding gain on holding company. [9]Bank only. [10]Includes the results of nonbank operations where applicable. [11]Growth based on year-end assets. P-D: profit to deficit.

1981 Annual Banking Survey

100 largest bank holding companies: a statistical profile

1980 size measures ($millions)

Rank	Total assets	Total deposits	% domestic demand deposits	Total loans	Loan loss res as % of loans	Total investments	Standby letters of credit	Total capital	Long-term debt % capital	Total operating income	Net income[4]	Company and headquarters
51	$4,524	$3,245	34.6%	$2,708	1.1%	$ 742	$64	$280	25.0%	$514	$29.4	**First Wisconsin (Wisc)**
52	4,431	3,573	40.9	2,069	1.3[5]	1,305	23	329	25.4	435	38.0	**Barnett Banks of Fla (Fla)**
53	4,386	3,183	43.7	2,599	1.2	441	89	359	31.0	453	35.0	**Girard (Pa)**
54	4,341	3,295	47.9	2,337	2.0	756	26	273	7.7	460	37.2	**Citizens & Sthn Ga (Ga)**
55	4,271	2,868	42.3	2,077	1.1[5]	682	67	288	15.4	417	32.3	**First Union Bancorp (Mo)**
56	4,158	3,243	41.7	2,025	1.2	617	54	273	17.6	378	30.9	**Southwest Bancshs (Tex)**
57	4,063	2,951	33.0	2,471	1.1	360	38	329	23.1	418	32.0	**Maryland National (Md)**
58	3,947	3,264	13.2	1,993	1.0	588	71	226	16.8	395	11.7	**Bank of Tokyo Trust[7] (NY)**
59	3,919	3,058	35.8	2,102	1.3	766	22	236	18.7	298	20.9	**First Natl State Bcp (NJ)**
60	3,852	2,618	32.5	1,917	1.5[5]	622	33	246	26.2	397	17.9	**BanCal Tri-State (Cal)**
61	3,621	3,146	29.3	2,416	1.1	600	58	207	30.1	382	17.8	**California First Bnk[8] (Cal)**
62	3,601	2,705	30.7	2,057	1.1	521	20	404	33.8	396	41.1	**First Security (Utah)**
63	3,565	2,376	25.3	1,451	1.4	1,068	41	271	30.2	351	26.0	**Centran (Ohio)**
64	3,456	2,502	44.9	1,788	1.5	535	32	202	17.7	346	17.4	**Shawmut (Mass)**
65	3,454	2,673	34.3	2,365	1.1	445	55	333	37.0	367	34.2	**United Virginia Bshs (Va)**
66	3,452	2,478	17.7	1,992	1.6[5]	771	33	358	48.3	405	28.2	**Industrial National (RI)**
67	3,435	2,502	30.4	2,011	1.1	536	32	268	32.4	347	20.8	**Lincoln First Banks (NY)**
68	3,431	2,603	26.1	1,682	1.3	901	23	257	13.3	340	28.6	**Society (Ohio)**
69	3,404	2,628	37.4	1,863[5]	1.5[5]	569	27	244	19.5	310	28.8	**Midlantic Banks (NJ)**
70	3,371	2,554	40.0	1,814	1.2	620	51	279	25.5	336	30.2	**Texas American Bshs (Tex)**
71	3,316	2,451	38.6	1,731	1.7[5]	386	65	232	31.7	336	14.2	**Fidelcor (Pa)**
72	3,312	2,563	39.0	1,609	1.1	845	14	242	16.2	326	29.8	**Sun Banks of Florida (Fla)**
73	3,282	2,270	35.8	1,856	1.7[5]	519	24	280	37.1	388	28.2	**First Union (NC)**
74	3,259	2,559	38.2	1,707	1.3	656	49	240	14.9	265	23.4	**Fidelity Union Bncp (NJ)**
75	3,207	2,717	32.1	1,706	1.0	873	30	215	11.9	307	26.5	**BayBanks (Mass)**
76	3,175	2,331	46.6	1,762[5]	1.1[5]	383	59	201	25.7	330	21.4	**CBT (Conn)**
77	3,149	2,501	40.6	1,539	1.0	469	54	182	3.1	289	24.3	**Riggs Natl Bank[8] (DC)**
78	3,147	2,292	57.0	1,563	1.5	288	21	254	31.8	331	24.0	**First Atlanta (Ga)**
79	3,112	2,196	60.3	1,434	2.3	539	25	232	19.6	338	37.7	**Trust Co of Georgia (Ga)**
80	3,009	1,902	47.1	1,128	1.9	671	41	213	33.0	317	21.8	**State Street Boston (Mass)**
81	2,916	2,267	36.2	1,529	1.4[5]	610	17	246	27.6	298	23.7	**First Tennessee Natl (Tenn)**
82	2,890	2,221	33.6	1,403	1.5	420	58	201	30.0	353	21.4	**New Eng Merchants (Mass)**
83	2,863	2,087	25.6	1,517	0.9	799	58	162	23.7	290	9.6	**Equimark (Pa)**
84	2,855	2,469	41.0	1,744	1.8	543	86	231	22.6	294	37.3	**Allied Bancshares (Tex)**
85	2,831	2,133	32.1	1,513	1.1	483	12	193	12.7	277	22.8	**Huntington Bancshs (Ohio)**
86	2,824	2,321	30.3	1,568	1.2	705	24	239	15.0	300	33.4	**Banc One (Ohio)**
87	2,765	2,235	39.1	1,450	1.4	605	30	234	7.2	279	25.0	**Commerce Bancshares (Mo)**
88	2,753	2,209	56.9	1,374	1.2	326	60	134	26.6	245	13.8	**Hartford National (Conn)**
89	2,752	1,944	36.0	1,549	1.5	589	62	251	15.9	295	30.9	**Provident National (Pa)**
90	2,740	2,076	45.0	1,520	1.1	436	57	215	26.8	287	24.2	**United Banks of Colo (Colo)**
91	2,739	2,138	39.9	1,593	1.6[5]	608	23	255	22.4	282	28.3	**Alabama Bancorp (Ala)**
92	2,714	2,156	28.2	1,467	1.1[5]	399	49	176	4.7	273	24.4	**American Security (DC)**
93	2,709	2,344	29.5	1,786	1.1	361	24	144	5.2	301	14.8	**Lloyds Bank Calif[7,8] (Cal)**
94	2,704	2,172	36.4	1,518	1.2	510	29	237	33.5	288	23.4	**Virginia Natl Bkshs (Va)**
95	2,657	1,773	30.7	1,384	1.3	392	17	170	6.1	293	19.1	**American Fletcher (Ind)**
96	2,630	2,061	32.2	988	1.4	557	9	153	20.2	281	24.1	**Banco Popular[8] (PR)**
97	2,628	2,066	40.7	1,476	1.0	451	21	171	29.3	237	14.9	**United Jersey Banks (NJ)**
98	2,527	2,097	36.7	1,299	1.6	719	10	224	23.8	196	16.5	**Key Banks (NY)**
99	2,526	2,010	28.8	1,443	1.2	515	14	204	24.8	257	22.2	**Dominion Bankshares (Va)**
100	2,499	1,957	53.4	1,398	1.1[5]	291	93	191	21.7	270	21.0	**First Natl Bancorp (Colo)**
			32.1		**1.2**				**24.9**			**MEDIANS**

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[1] Four-year average is a compounded annual rate 1976-'80. [4] From continuing operations after security gains or losses excluding gain on sale of operations and extraordinary items. [5] Includes leases. [6] Includes guarantees. [7] Company not publicly traded; stock data not available. [8] Bank only; not organized as a def: deficit. NA: Not available

Growth measures[1]							Profitability & cost measures			Stock data			
Average assets		Equity per share		Earnings per share[2]		Dividend	Return	Net interest	Overhead				
4-year average	1980 vs 1979	4-year average	1980 vs 1979	4-year average	1980 vs 1979	4-year average	on equity 4-yr avg	margin[3] 1980	times NI 1980	Recent price	1980 EPS[4]	P-E ratio	Current yield
6.4%	-1.0%	5.5%	5.2%	23.4%	33.8%	1.7%	11.3%	3.53%	4.3	31	$7.09	4.4	6.1%
14.4	15.9	9.9	12.8	28.5	20.4	11.2	14.1	5.90	4.4	32¾	4.42	7.4	3.7
3.9	-0.4	8.1	8.4	36.6	3.6	5.0	13.9	4.54	3.5	24¼	6.30	3.9	9.1
8.3	12.5	5.8	13.4	25.2	55.7	-11.4	7.4	5.77	4.8	8⅝	1.23	7.0	4.6
11.0	7.2	8.2	8.7	9.1	10.1	6.9	13.3	4.28	3.3	20¾	4.37	4.7	7.7
14.5	15.5	8.8	9.4	12.6	21.9	9.9	13.5	4.80	3.1	37	4.51	8.2	4.2
10.5	10.6	9.5	10.6	17.6	22.6	6.9	13.0	5.37	4.1	21¼	4.28	5.0	4.7
14.9	21.6	8.1	6.9	4.8	-11.0	—	8.1	NA	2.3	—	—	—	—
9.5	6.8	3.3	-2.3	14.1	14.9	2.4	11.7	4.19	4.0	21⅛	5.09	4.2	10.3
3.6	9.7	8.2	5.9	61.1	-13.5	8.1	9.2	3.98	6.5	26⅝	3.64	7.3	4.5
13.2	11.2	10.1	9.0	14.7	-9.4	16.9	14.5	4.41	6.5	14⅞	3.17	4.7	7.3
11.4	2.6	12.4	11.3	10.7	7.1	8.3	17.2	5.26	3.0	26½	3.18	8.3	3.8
13.3	10.8	7.4	8.3	9.9	7.4	7.8	12.7	3.70	3.6	24¼	6.21	3.9	10.6
8.1	9.5	6.3	7.4	29.7	12.9	14.0	8.4	4.67	6.6	24¾	4.47	5.5	6.1
7.3	6.3	10.1	12.2	22.7	19.2	9.3	14.7	5.53	3.8	32⅝	5.83	5.6	6.2
12.2	9.7	8.9	10.4	19.7	16.6	7.5	15.0	4.14	3.4	22	4.57	4.8	8.0
5.4	-2.6	4.6	3.8	9.8	-11.5	1.6	11.1	4.74	6.8	26	4.30	6.0	7.7
11.3	14.9	7.0	8.4	8.4	-2.0	12.6	13.1	4.47	3.6	18½	3.90	4.7	7.8
14.2	12.5	5.3	6.6	36.5	11.3	4.2	15.4	5.59	3.7	30½	8.68	3.5	6.3
13.0	11.5	10.5	11.5	15.9	17.5	16.2	14.5	5.07	3.0	34½	4.56	7.6	3.8
-1.5	0.8	0.4	10.1	-5.0	188.9	-35.5	2.8	4.15	8.2	15⅜	2.34	6.7	3.1
15.6	23.5	7.4	9.0	38.2	24.8	8.1	12.0	5.57	4.4	18⅛	2.52	7.2	4.9
11.4	13.2	9.4	12.4	35.3	14.7	4.4	14.7	4.60	4.5	19½	3.89	5.0	5.3
15.2	22.6	6.4	6.9	6.6	4.3	3.9	11.9	5.47	4.1	28	6.12	4.6	10.0
9.4	7.6	8.5	11.6	25.0	19.0	6.0	13.1	5.89	4.4	37	8.82	4.2	8.1
10.8	10.9	7.0	8.1	25.5	16.9	6.7	12.5	5.27	5.2	28¼	5.96	4.7	7.1
13.7	15.1	8.3	9.5	16.9	12.0	7.2	13.7	4.91	2.9	61½	8.13	7.6	4.9
7.1	2.0	7.3	10.8	15.9	31.0	4.2	12.3	6.88	5.2	22⅛	3.38	6.5	5.1
11.8	7.2	11.2	15.6	35.7	28.3	9.5	16.9	7.07	3.6	26¾	3.49	7.7	3.9
9.0	16.8	8.1	16.7	32.6	37.6	-3.3	9.7	4.68	5.3	41	9.33	4.4	5.9
8.5	11.1	9.3	9.2	27.6	7.9	16.5	13.7	5.47	4.1	12¼	2.60	4.7	7.5
14.1	17.8	9.8	11.6	19.0	22.1	5.9	15.4	4.26	4.0	32⅞	6.85	4.7	6.5
10.2	6.8	1.0	1.2	-2.1	19.2	2.2	9.1	2.64	6.9	9	1.80	5.0	10.7
21.3	28.5	18.5	21.1	24.2	27.3	25.9	23.6	6.13	1.9	37⅛	3.36	11.0	2.4
13.1	6.9	10.2	10.7	17.5	7.6	7.8	14.7	5.04	3.7	27¼	6.83	4.0	7.3
13.2	13.3	11.7	11.7	14.3	10.4	13.4	17.6	5.85	2.7	33¼	4.76	7.0	5.4
13.2	9.8	8.4	9.2	14.2	18.8	8.9	13.0	5.51	3.1	24¾	5.62	4.4	6.8
5.5	-2.0	8.3	9.9	35.0	47.4	4.8	10.3	4.56	6.2	23⅛	4.83	4.8	6.9
10.7	10.6	8.4	9.1	49.3	35.9	6.9	12.0	4.45	2.7	34¼	6.81	5.0	7.6
15.1	11.6	9.4	11.3	15.1	8.2	8.4	15.4	6.40	4.2	37⅝	5.12	7.3	4.5
10.8	8.1	9.8	10.1	13.3	12.2	6.1	15.6	5.70	3.2	22¾	3.85	5.9	6.3
18.2	14.1	9.7	10.6	10.5	12.2	4.8	15.2	4.21	2.1	44¾	6.62	6.8	5.4
16.3	12.2	12.9	9.0	34.7	-1.3	—	11.6	5.30	7.0	—	—	—	—
7.6	2.5	9.1	7.6	12.9	-4.3	7.8	15.0	6.15	5.5	14⅞	2.93	5.1	8.1
5.8	6.4	9.3	9.6	26.6	0.0	1.7	13.4	3.50	4.0	17¼	4.16	4.1	7.2
18.5[11]	6.4[11]	9.4	8.6	29.5	29.0	8.7	15.9	5.58[9]	4.3	23¼	7.82	3.0	6.9
6.3	3.1	5.7	7.0	14.8	12.1	0.9	11.9	3.91	5.1	13	2.69	4.8	8.8
7.2	5.6	4.2	-10.1	7.3	10.9	4.7	13.1	5.38	4.2	13⅛	3.36	3.9	9.1
9.1	8.2	3.4	8.6	7.9	-2.7	12.8	14.4	5.13	4.1	14¼	2.49	5.7	7.0
10.6	4.2	9.9	10.9	16.6	26.7	7.6	14.4	6.77	4.9	22½	4.18	5.4	5.3
12.3	**11.4**	**8.9**	**9.5**	**15.2**	**12.1**	**8.4**	**13.8**	**4.49**	**4.0**			**5.5**	**6.2**

items. [3]Net interest income on a tax-equivalent basis as a percentage of average earning assets. [4]From continuing operations before security gains or losses excluding gain on holding company. [9]Bank only. [10]Includes the results of nonbank operations where applicable. [11]Growth based on year-end assets. P–D: profit to deficit.

ment trusts nearly wiped out dozens of banks. Manufacturers Hanover has been bracing for it. "We increased our reserve for possible loan losses by $28 million last year, to a record $272 million," says McGillicuddy. "Moreover, the charge-offs of $59 million last year, up from $56 million the year before, reflect our recognition of all known problem credits. We enter 1981 with a clean slate."

Not every bank can say the same. Loan loss ratios *(see tables, pp. 136-139)* have kept pace with neither the rising dollar volume of loans outstanding nor the declining cash positions of so many of the banks' corporate borrowers. If Manny Hanny with its "clean slate" expects loan losses to hurt operating profits, it seems reasonable to suppose a good many other banks will suffer, too.

Analyst Charles Lott, one of the optimists about bank stock prospects, concedes that loan losses will increase this year. He estimates they will rise from 0.35% of loans outstanding last year to between 0.40% and 0.45%. (In 1975 the figure was 0.65%.) But Lott points out that banks will be earning more from their larger loan portfolios. Earnings gains in the 5%-to-8% range, he thinks, would be more than enough to offset the larger loan losses he foresees. And to the extent that bank earnings are being squeezed by high interest rates, they will get some relief as interest rates decline.

But such flat predictions are dangerous at a time when the Fed's policy is "watch the money supply, interest rates be damned." This policy virtually guarantees wildly fluctuating interest rates. First National Bank of Chicago and First Pennsylvania Bank got into trouble when they borrowed short and lent long—this was late 1979 and 1980, respectively, while interest rates were generally rising. That's why you hear a lot of bankers talking these days about "funds management" or "interest-rate sensitivity management." It's jargon for a piece of common sense—paying close attention to the rates and maturities of the money they borrow and the rates and maturities of the loans they extend. It's a delicate art these days.

A lot of bank stock analysts think that the more closely banks watch these things the less chance there will be for a costly mismatch. That's not necessarily so, says Donald B. Riefler, chairman of Morgan Guaranty's sources and uses of funds committee. "Programs to match assets and liabilities must leave some room for risk taking," he says. "Otherwise, pure balancing of assets and liabilities limits the earnings potential as well as the loss potential."

You can expect the banks to do their damnedest to avoid mismatches of assets and liabilities over the long term, but, as Riefler insists, don't expect bank earnings to be bombproof from quarter to quarter. Especially this year. ■

The 50 largest trust operations

It was a great year for the stock market and, accordingly, for most of the nation's biggest bank trust departments. The 50 giants below managed some $374 billion in 1980, vs. $327 billion in 1979. J.P. Morgan, biggest of the big, as usual, ended the year with a 19% gain in assets under management.

		—Market value of trust assets*—		—Trust department revenues—		
1980 rank	Company	1980 (millions)	% increase over 1979	total (thousands)	% change from 1979	% of total operating revenues
1	JP Morgan	$36,119	18.9%	$147,627	15.3%	2.9%
2	Citicorp	26,317	3.4	109,310	23.9	0.8
3	Manufacturers Hanover	18,285	7.8	64,138	14.4	1.2
4	Bankers Trust	17,686	22.3	63,368	3.7	1.7
5	Mellon National	12,634	2.5	28,250	15.6	1.8
6	Harris Bankcorp	12,499	7.4	38,837	14.5	5.4
7	Chase Manhattan	11,198	19.2	73,690	17.7	0.9
8	Provident National	10,440	40.3	26,376	29.7	8.9
9	US Trust	9,650	0.4	52,304	6.5	23.4
10	First Chicago	9,594	9.8	44,211	22.2	1.3
11	Continental Illinois	9,455	23.7	44,809	19.7	1.0
12	BankAmerica	9,269	31.6	60,520	11.1	0.5
13	Wells Fargo	9,175	28.3	28,928	11.0	1.1
14	Northern Trust	9,147	17.3	48,844	16.5	7.9
15	Chemical New York	9,094	10.9	49,811	13.0	1.2
16	Western Bancorp	8,656	3.9	44,190	15.2	1.3
17	Wilmington Trust	8,439	25.4	12,315	20.0	8.4
18	Crocker National	8,295	38.6	31,359	28.6	1.6
19	First Bank System	8,279	10.9	33,182	15.4	2.5
20	First National Boston	7,830	26.0	40,577	18.5	1.7
21	National Detroit	6,669	−10.5	27,874	12.6	2.7
22	Bank of New York	6,643	17.9	71,383	38.3	6.5
23	AmeriTrust	6,180	17.5	27,003	14.7	4.8
24	Fiduciary Trust Co of NY	5,794	20.4	16,151	−1.4	67.3
25	Capital Guardian Trust	5,647	25.5	NA	NA	NA
26	First International Bancshares	5,318	38.0	18,766	16.2	1.4
27	First Union Bancorp	5,202	16.4	16,610	12.4	4.0
28	Northwest Bancorporation	5,081	12.6	26,915	10.4	1.8
29	Girard	4,800	14.3	21,155	14.0	4.7
30	Security Pacific	4,243	7.4	32,452	8.1	1.0
31	Republic of Texas	4,215	12.6	20,140	14.4	1.6
32	American Natl (Chicago)	4,149	44.3	10,622	12.4	4.0
33	National City Corp	4,117	17.4	14,548	12.5	2.8
34	First City Bancorp	4,108	37.9	13,756	24.8	1.3
35	Irving Bank Corp	3,510	7.5	24,863	6.0	1.4
36	State Street Boston Corp	3,467	32.6	28,716	30.8	9.0
37	Boatmen's Bancshares	3,298	20.6	6,264	12.4	3.4
38	Citizens & Southern Ga	3,246	16.8	9,728	4.9	2.1
39	DETROITBANK	3,212	7.7	15,428	20.3	2.9
40	First Wisconsin Corp	3,166	13.3	13,375	18.6	2.6
41	First Pennsylvania	3,158	1.9	16,603	13.1	2.2
42	Marine Midland	3,106	11.8	18,885	3.8	1.0
43	Trust Co of Georgia	3,093	7.6	15,795	13.4	4.7
44	Mercantile Bancorp	3,093	16.0	10,899	11.3	2.3
45	Wachovia Corp	3,083	0.7	17,791	13.1	3.2
46	Tex Commerce Bancshares	2,940	52.4	13,602	11.9	1.3
47	Mercantile Bankshares	2,909	12.6	15,127	16.3	10.6
48	Pittsburgh Natl Corp	2,876	12.0	17,737	9.0	2.8
49	American Fletcher Corp	2,823	9.3	7,705	21.1	2.6
50	Hartford National	2,822	18.8	14,656	18.3	6.0

*Includes accounts over which the bank exercises investment discretion. NA: Not available.

1981 Annual Banking Survey

If they tried to mark their portfolios to market, it seems as if there would hardly be a solvent savings and loan in the country.

Who will clean up the mess?

AN EDUCATED CONSUMER IS our best customer." So goes the advertising for a large New York discount clothing chain. You won't hear the thrifts talking that way. Educated consumers are *their* downfall. It's not that the thrifts were actively cheating anyone. It's simply that they were the most convenient way for the ordinary American to save and the thrifts didn't have to pay more than 6%—no matter how high market rates were—because that was the maximum the law permitted them to pay. The law, in its lack of wisdom, wanted to make sure the thrifts had plenty of low-cost money to lend to prospective home buyers. If the saver was being shortchanged, our lawmakers didn't seem to care. The silly situation worked as long as the average saver either couldn't get a better rate or didn't know how to go about it. But now the consumer *is* educated. Thanks to the money market funds and widespread advertising of

The 25 largest savings and loan associations

Margins are under intense pressure: The more they lend, it seems, the more they lose. No surprise, then, that many savings and loan institutions are in the red—or headed there—for the first time in history.

	1980 size measures ($ millions)							
Rank	Total assets	Savings accounts	Loans receivable	Investment securities	Advances from FHLB	Total revenues	Net income	Company (location)
1	$13,110	$10,072	$11,391	$ 216	$1,343	$1,371	$48.1	H F Ahmanson (Cal)
2	10,253	7,774	8,573	1,324	1,055	997	39.2	Great Western Financial (Cal)
3	9,676	7,211	8,841	516	673	955	39.2	First Charter Financial (Cal)
4	7,347	5,481	6,155	711	821	714	40.7	Imperial Corp of America (Cal)
5	6,397	4,612	5,474	575	684	575	6.2	California Federal S&L[2] (Cal)
6	5,579	3,418	4,017	1,268	791	485	38.1	Golden West Financial (Cal)
7	5,006	3,740	4,160	550	519	471	20.1	Glendale Federal S&L[2] (Cal)
8	4,431	2,972	4,021	160	786	458	26.7	Home Federal S&L[2] (Cal)
9	4,295	3,017	3,934	221	771	426	–7.9	Gibraltar Financial (Cal)
10	3,687	3,074	3,243	262	338	329	6.8	First Fed S&L of Detroit[2] (Mich)
11	3,467	2,662	2,332	241	341	307	–6.9	Talman Home Federal S&L[2] (Ill)
12	3,395	2,693	2,660	462	212	270	3.2	First Federal S&L Chicago[2, 3] (Ill)
13	3,317	2,939	2,898	53	167	288	4.8	Standard Federal S&L[2] (Mich)
14	3,021	2,211	2,633	260	260	295	5.0	Coast Federal S&L[2] (Cal)
15	3,018	2,276	2,672	200	420	274	4.4	Allstate S&L[4] (Cal)
16	2,900	2,194	2,500	127	270	296	24.9	United Financial of Calif[5] (Cal)
17	2,854	2,213	2,517	250	321	291	9.4	AmeriFirst Federal S&L[2] (Fla)
18	2,853	1,657	2,597	60	976	282	–1.4	Fidelity Financial (Cal)
19	2,615	2,107	2,126	415	177	207	–26.2	West Side Federal S&L [2,3] (NY)
20	2,492	1,974	2,260	141	269	230	9.8	First Federal S&L Broward [2,3] (Fla)
21	2,474	1,906	2,194	157	350	225	1.9	Twin City Federal S&L[2] (Minn)
22	2,456	1,856	2,157	89	292	264	9.4	San Diego Federal S&L[2,3] (Cal)
23	2,362	2,003	2,149	32	154	228	2.9	Financial Federation (Cal)
24	2,337	1,746	1,990	207	218	220	3.3	City Federal S&L (NJ)
25	2,297	1,793	1,949	180	234	175[6]	12.5[6]	Community Federal S&L[2,3] (Mo)

[1] Four-year average is a compounded annual rate: 1976/1980. [2] Mutual savings and loan association. [3] Based on data from the Federal Home Loan Bank. [4] Subsidiary of Sears,

savings certificates, the public knows *exactly* where to go to get 15% or better. So, here are the thrifts sitting with all those long-term mortgages at 10% and less and carrying them with 15% money.

The numbers themselves tell a staggering story. As recently as late 1978, savings and loans bulged with $365 billion in passbook and time deposits carrying the lowest interest rates—generally paying 5.5% but going as high as 8%. Since then more than a quarter of a trillion dollars in these funds have run off, leaving the S&Ls with only $105 billion in low-interest deposits. To replace the lost deposits, the S&Ls have had to pay between 13% and 15% on nearly $300 billion in certificates. The rough part is that many of the certificate holders are former depositors who would no longer accept minimal returns. The net interest cost to the S&Ls of the change in asset mix will be close to $25 billion this year.

One of the early financial crises the Reagan Administration may have to face will involve the thrifts.

The depositors, happily, aren't likely to be hurt. The Federal Savings & Loan Insurance Corp. and the Federal Home Loan Bank Board will both see to that. However, a large number of the savings institutions themselves will disappear into the merger with stronger thrifts. The Reagan Administration, which wants no more Chrysler-type bailouts, will also insist on protecting them.

Most of the thrift industry is now in the red—paying out more in interest and expenses than it is taking in. Inevitably the weaker ones will fail and the federal authorities will force them to merge with stronger units—on terms that can only be favorable to the stronger units.

The wait, however, for the emergence of fewer but stronger units may wind up being a long one.

The moral of the story is that lending long and borrowing short is a very dangerous practice, especially in inflationary times. And yet, that, in effect, is what the thrift industry is all about: borrowing short, lending long.

There is one ray of light. Unlike steel mills or other brick-and-mortar investments, home mortgage portfolios are self-liquidating. Every monthly payment consists of some interest and amortization. If it can hang on long enough a thrift can replace its cheap mortgages with more expensive ones. Somewhere along the line, the spread between the cost of borrowed money and what it can earn will come back into balance. That's why there is some bargain-hunting going on now among the publicly owned thrifts by people who can afford to wait for the payoff. There is this attraction for them: Nearly all the publicly owned thrifts now sell at about 55% to 60% of book value, a bigger discount than the usual 75% of book.

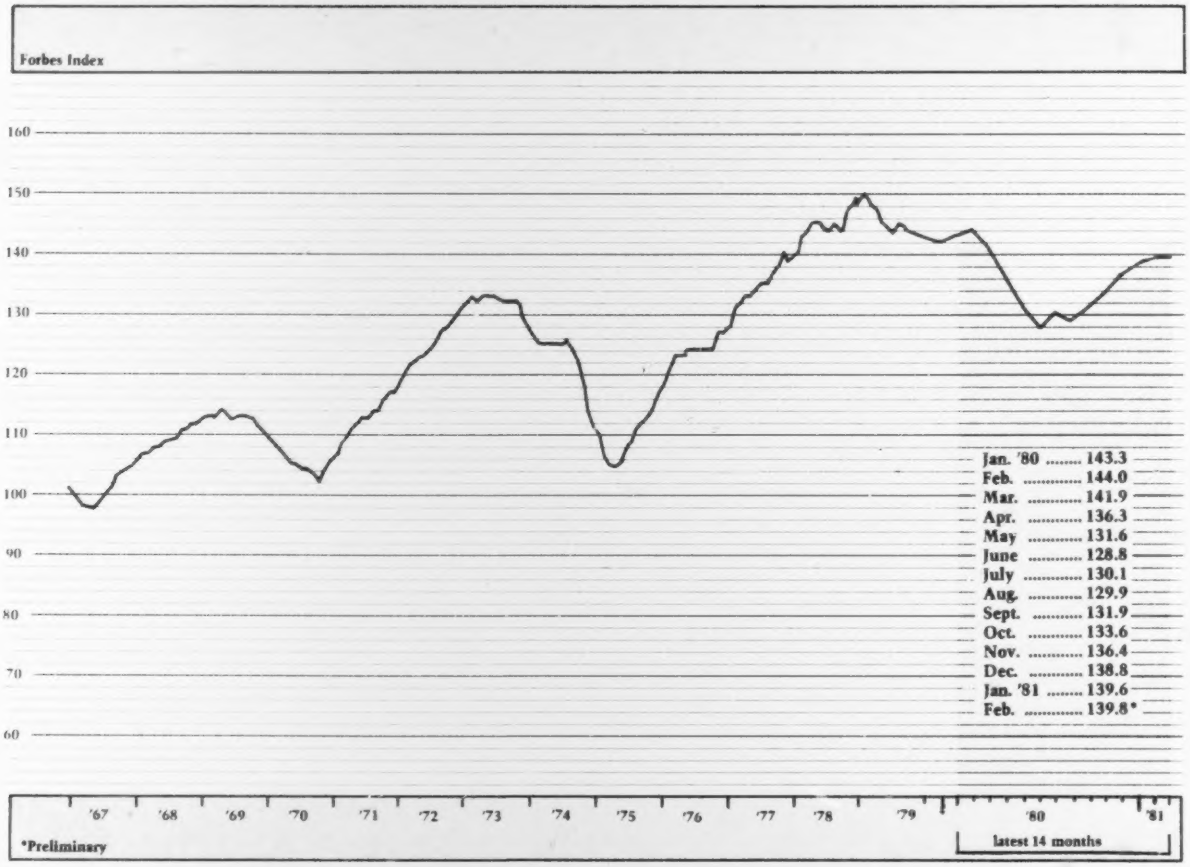
That's the positive side: hope for an eventual turnaround and currently depressed stock prices. The negative side, however, is this: If you had to sell those low-interest, long-term mortgages on the open market, there would hardly be a single thrift institution in the U.S. that would be solvent.

For a generation, the thrifty of this country have been subsidizing home and property owners. That game is now over. The thrift industry is left to clean up the mess. Meanwhile, who will finance a revival of home-building? That's a good question. So far there haven't been any good answers.—**Ben Weberman**

Growth measures[1]								1980		
Assets		Savings		Net income		Revenues				
4-year average	1980 vs 1979	4-year average	1980 vs 1979	4-year average	1980 vs 1979	4-year average	1980 vs 1979	Yield on earnings assets	Cost of funds	Spread
13.5%	8.0%	11.1%	7.7%	–8.4%	–59.0%	18.9%	13.2%	10.77%	10.13%	0.64%
12.9	8.4	10.6	5.3	–5.6	–57.9	20.2	13.5	10.83	10.14	0.69
11.7	1.3	9.4	–0.7	–13.9	–56.8	18.8	12.9	10.32	10.72	–0.40
14.5	12.7	11.8	10.7	0.0	–45.2	20.7	22.4	10.78	10.28	0.50
13.2	3.2	11.4	2.7	–30.7	–84.2	17.7	2.4	10.23	9.92	0.31
27.2	43.5	18.5	20.3	15.6	4.3	29.6	32.8	10.92	11.26	–0.34
17.1	16.4	13.9	14.2	–0.5	–44.4	23.6	23.4	10.93	10.08	0.85
17.8	10.3	16.2	9.1	9.1	–37.4	25.4	20.4	11.01	9.64	1.37
17.6	6.3	11.2	–5.8	P–D	P–D	25.7	17.8	10.51	10.76	–0.25
14.2	12.6	12.3	10.6	–12.2	–63.8	21.0	17.8	9.88	9.78	0.10
10.7	6.2	9.0	6.9	P–D	P–D	16.8	10.6	9.32	10.49	–1.17
16.8	20.7	16.3	27.4	–10.3	–70.3	19.6	21.4	NA	NA	NA
17.0	15.5	15.8	18.5	–21.2	–71.5	22.4	18.1	10.10	9.75	0.35
13.2	8.6	10.5	9.2	–15.7	–74.2	21.3	19.4	NA	NA	NA
36.6	11.0	33.5	7.1	–2.0	–77.9	42.9	12.8	10.17	10.21	–0.04
9.6	4.1	6.9	2.2	15.1	–1.6	16.2	15.2	10.18	9.36	0.82
14.6	8.9	11.6	7.6	17.4	–33.9	24.7	30.8	NA	NA	NA
26.7	21.7	16.3	–1.1	P–D	P–D	34.2	30.8	NA	NA	NA
24.1	20.9	22.1	23.6	P–D	P–D	30.6	25.1	NA	NA	NA
17.9	3.7	14.8	8.2	46.9	–17.7	25.1	19.7	NA	NA	NA
10.4	8.1	6.7	5.8	–32.7	–87.0	15.5	12.1	9.79	8.42	1.37
19.3	10.5	18.2	12.6	3.5	–52.4	28.9	26.6	NA	NA	NA
8.0	–1.5	6.3	0.1	–32.5	–86.8	14.4	3.6	10.38	10.39	–0.01
17.6	22.0	16.9	27.1	–7.7	–44.7	26.3	36.1	10.67	9.43	1.24
19.9	29.4	18.7	32.0	12.0[6]	–18.6[6]	20.5[6]	33.9[6]	NA	NA	NA

Roebuck [5] Subsidiary of National Steel. [6] Figures are derived for the 12 months ending June. NA: Not available. P–D: Profit to deficit.

The Forbes Index



*Preliminary

The Forbes Index Components

Inching toward a peak? The Forbes Index is still heading up, but ever so slowly. Personal income and retail sales continue to climb. Those gains, however, barely offset sharp declines in two other sectors. Housing starts are 10% below their year-ago level, and industrial production is retreating from January's high. If a recovery is at hand, you can't forecast it from these numbers.

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

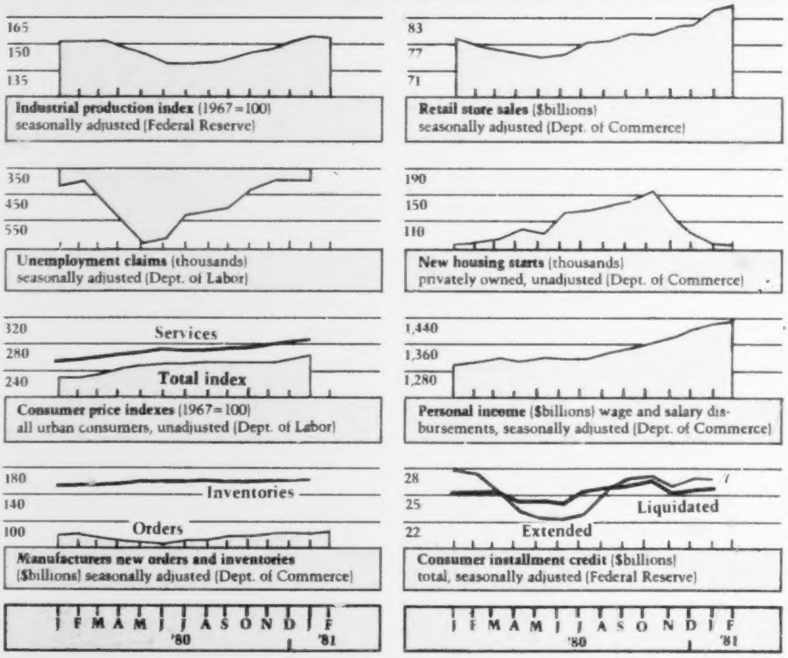
Total retail sales

New housing starts

Personal income

The change in the amount of consumer installment debt outstanding

To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



Industrial production index (1967=100) seasonally adjusted (Federal Reserve)

Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)

Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)

New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)

Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)

Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)

Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)

Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

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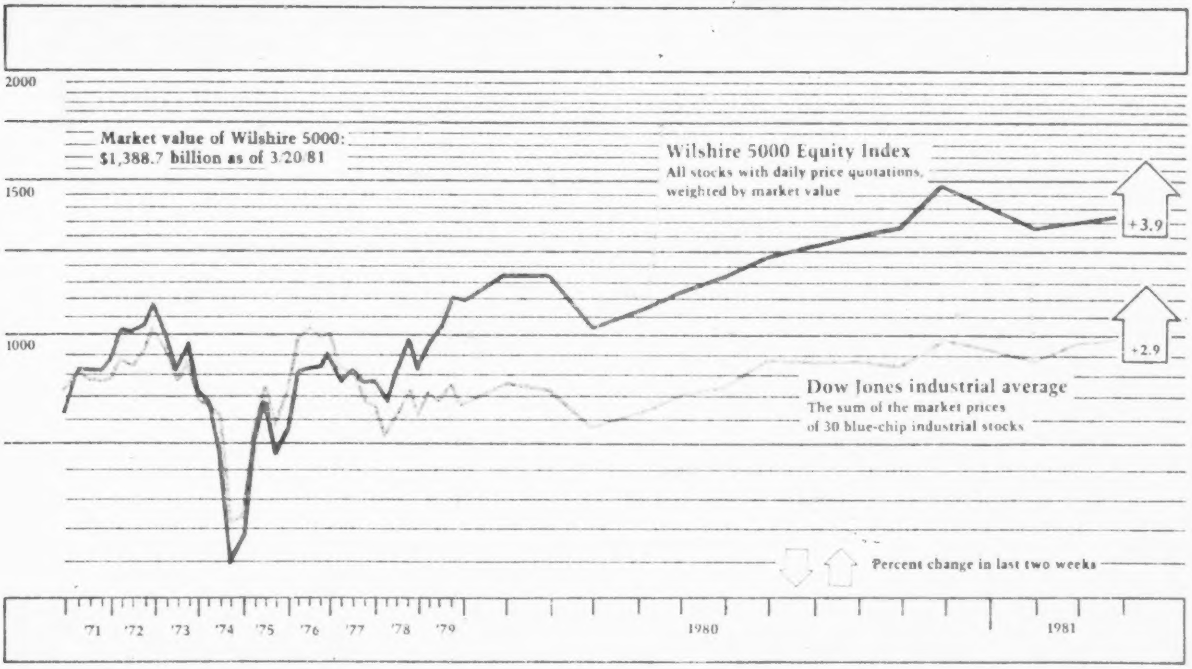
The Forbes/Wilshire 5000 Review



Pinch me. I've been here before. If investors are feeling a sense of déjà vu, no wonder.

Look at the stock performance measured in the table at the bottom of this page. The companies that are today's market leaders are the same high-growth, high-P/E stocks that fueled last year's runup. Until now, the strong performers of 1981 had been companies that missed out on the 1980 boom—but clearly that is no longer the case.

The broad indexes tracked in the other tables underline this point: As was the case during most of last year, the market's real strength is once again coming from the NASDAQ and ASE, with the Dow trailing the pack. In much of the time since January, of course, the Dow has played catch-up, and outpaced the competition. That explains why it is bumping new highs while the Wilshire is still well below its November peak.

What does it all mean? Don't be misled by that magic 1000 figure for the Dow. The market as a whole is a long way from confirming its strength, and that is hardly a bullish sign. What's more, there is still no solid indication of new leadership. Some faded stars, however, are twinkling again—perhaps for the last time.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	6.6	6.1	6.4	6.7	7.3
in last 52 weeks	33.0	26.4	32.4	39.4	48.6

Stock performance based on five key investor yardsticks

Percent change	Volatility *		P/E Multiple		Dividend yield		Growth profile †		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	9.6	5.2	6.5	4.9	4.6	7.4	8.7	6.4	7.9	6.2
in last 52 weeks	68.0	22.6	67.4	30.2	18.8	44.0	53.3	34.1	38.0	42.3

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 3/20/81. Prepared by Wilshire Associates, Santa Monica, Calif.

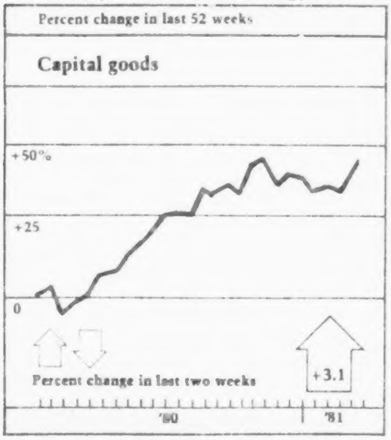
Where The Action Is

The higher they soar, the faster they fall. If you don't believe that, check the performance of energy stocks.

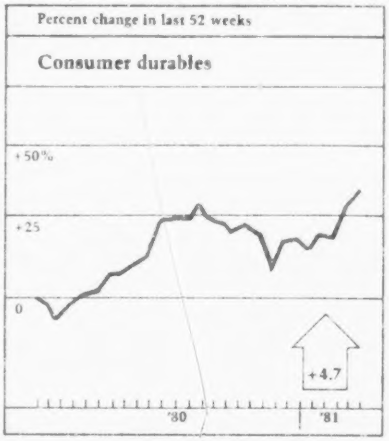
Despite last fall's flashy runup, the group is now barely 25% ahead for the year. Investors in all other sectors except utilities have fared better over the full 12 months—even though they got less ride for their money.

Compare that with the performance of transportation companies, led by the resource-rich rails. Their stocks took off just as fast as energy shares last year; now, after faltering briefly, they are leading the market and nearing their former highs. What's more appealing about a railroad with oil and coal than an oil company with oil and coal? Wall Street judges, it never explains.

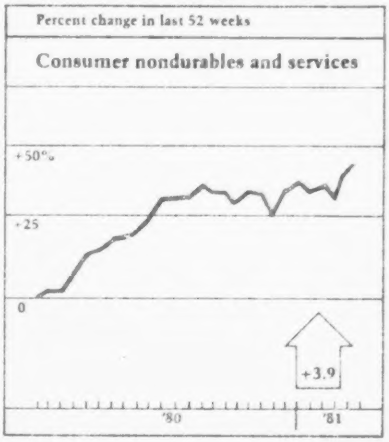
Now, of course, there are several candidates for new leadership. Both consumer groups have broken old highs and are moving solidly ahead. The same for finance and raw materials. These gains are not as spectacular as last year's energy spurt—so perhaps they won't disappear as quickly.


Percent change in last 52 weeks

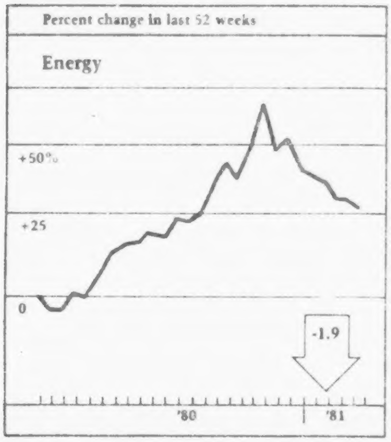
Capital goods


Percent change in last 52 weeks

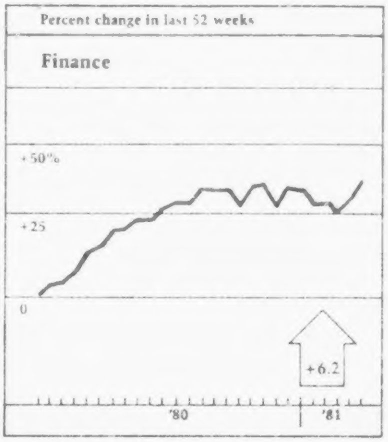
Consumer durables


Percent change in last 52 weeks

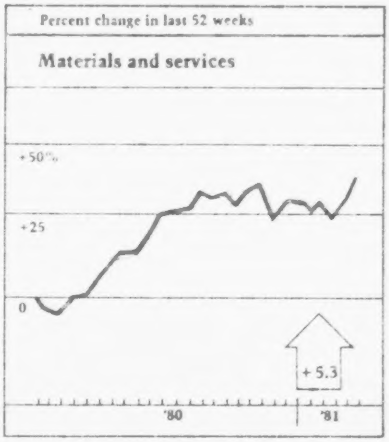
Consumer nondurables and services


Percent change in last 52 weeks

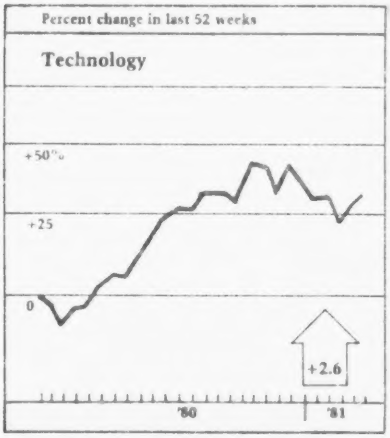
Energy


Percent change in last 52 weeks

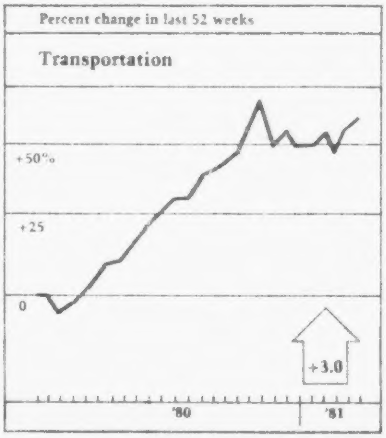
Finance


Percent change in last 52 weeks

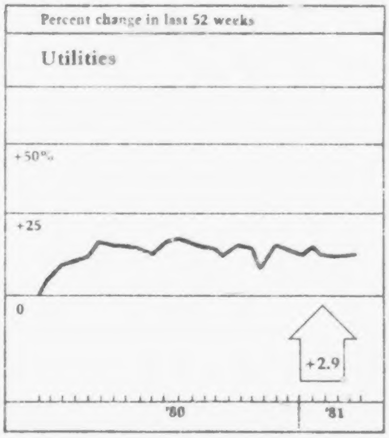
Materials and services


Percent change in last 52 weeks

Technology


Percent change in last 52 weeks

Transportation


Percent change in last 52 weeks

Utilities

Note: All data for periods ending 3/20/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Brokerage stocks

The Prudential offer for Bache may not signal a stampede to acquire other brokerage houses, but this industry could do beautifully if the market bulls lead a stampede of a more broad-based kind.

Company[1] (net worth in millions)	Recent price	Book value per share	Latest 12-month earnings total (mil)	Latest 12-month earnings per share	Price/earnings ratio	Indicated dividend	Indicated yield	% controlled by insiders
The Bache Group[2] ($154.0)	31¼[2]	$15.20	$36.5	$3.62	8.6	$0.60	1.9%	41.0%
Donaldson, Lufkin & Jenrette ($59.7)	9⅛	6.85	8.8	0.97	9.4	0.16	1.8	18.5
AG Edwards & Sons ($55.9)	25	8.75	21.9	3.42	7.3	0.95	3.8	50.0
(o) First Boston ($127.2)	29½	28.05	33.6	6.79	4.3	2.25	7.6	9.0
EF Hutton ($173.9)	32½	17.57	82.6	6.16	5.3	0.80	2.5	23.0
Merrill Lynch ($784.2)	36½	24.90	203.3	5.51	6.6	1.12	3.1	3.0
Paine Webber ($115.8)	21⅞	10.60	d3.7	d1.28	d	0.44	2.0	52.0
Shearson Loeb Rhoades ($144.2)	35¼	12.73	85.7	6.32	5.6	0.48	1.4	30.0
Dean Witter Reynolds Organization ($194.5)	23⅝	19.82	47.1	4.64	5.1	0.80	3.4	65.0

[1] All companies listed on the New York Stock Exchange except those labeled (o) over-the-counter market. [2] Prudential Insurance Co. of America made acquisition offer @ $32 a share. d: deficit.

Statistical Spotlight

In a turnaround situation, a tax-loss carryforward can turn out to be as valuable as a peek at tomorrow's stock prices.

From the ashes

By Steve Kichen and Jonathan Greenberg

Ever since the old Penn Central Transportation Co. was restructured in 1978, a single paper asset has proven more valuable to the company's success than all the old tracks, locomotives and equipment put together. The asset: tax-loss carryforwards.

A tax-loss carryforward is a tax deduction resulting from losses that shelter net income from taxes for up to seven years. It is also possible to write losses backwards against net income for the previous three years (a so-called carryback).

One thing Penn Central Transportation had plenty of was losses—enough to allow $282 million in net income to go untaxed in the past three years, plus another $600 million deduction applicable to earnings over the next five years. "This helped Penn Central get back on its feet and literally build a new corporation," commented Penn Central spokesman Bill Cunitz. "We have not paid any federal income taxes since our reorganization in October 1978."

Penn Central Corp. has moved out of the railroad business completely. It is now a diversified company involved in energy, electronics, real estate and recreation. The tax-loss carryforwards have facilitated Penn Central's use of income to acquire other companies.

An investor who gambled on the revitalizing power of those tax-loss carryforwards back in 1978 and purchased stock in the new Penn Central would have realized a profit of over 150%.

Of course, a tax-loss carryforward, or carryback, is useful only if a company has profits to shelter. There's a chance that Chrysler's $2 billion carryforward could add about $1 billion in additional income to the bottom line in the years to come. But to take advantage of this opportunity, Chrysler will have to engineer a miraculous recovery.

Tax-loss carryforwards have played a large role in the recent trend among airlines to lease, rather than buy, their planes. Although the Investment Tax Credit (ITC) given to airlines to encourage equipment purchases has the same time limit as tax-loss carryforwards, the IRS stipulates that a company must use its loss carryforwards *before* it can use ITC. With carryforwards mounting for companies like Pan Am ($130 million), American ($106 million) and Eastern ($75 million), the airlines have to wait until better times before they can take advantage of the investment tax credit. Analyst Eva Davis Holman, of Donaldson, Lufkin & Jenrette, explains that leasing allows the airlines to pass off the tax benefits to the lessor in order to get a break on rates.

Although Holman agrees that carryforwards are potentially advantageous, she warns that investors should approach companies that have them with caution. "I am sort of suspicious of using a loss carryforward as an excuse to buy," she says. "You have to realize why they have these things to begin with."

Certainly the list below is heavily weighted toward the speculative side. Several firms are in Chapter 11 and a few have recently been reorganized. Others, such as Chrysler and Great Atlantic & Pacific Tea Co., are struggling against difficult odds.

Of course, bankruptcy doesn't necessarily mean the death of an organization. But there is usually the danger of significant dilution of existing stock. For example, when the old Penn Central Transportation Co. was restructured, 25 shares of stock were exchanged for 1 share of the new Penn Central. The proposed Food Fair reorganization plan involves the issuing of 2.2 million additional common shares, preferred that can be converted into 4.4 million common shares, as well as other classes of preferred stock.

Still, there can also be a positive side to heavy losses. After losing $92 million in 1979, Singer has doubled in price. And it still has a $55 million tax loss, which it can offset against future income. Teleprompter ran into some difficulties in the mid-Seventies and still carries an $11 million tax-loss carryforward. Westinghouse made a $38-per-share cash offer for Teleprompter, which is expected to go through. In 1975, after losing over $38 million in the previous two years, Teleprompter sold for as little as $1.50 a share. Had you taken a chance then and waited to sell your shares to Westinghouse you would have more than a 2,400% gain on your investment.

Tax umbrellas

Here's a list of companies with the earnings leverage of large tax-loss carryforwards. Each lost a minimum of $25 million in at least one of the last seven years. Of course while tax-loss carryforwards can be a real shot in the arm, they're only valuable if the company has income to offset against the tax-loss carryforward.

		Tax-loss carryforward		Revenues latest	Latest 12-month earnings				
	Company[1]/principal business	total (mil)	per share	fiscal year (mil)	total (mil)	per share	Recent price	Price/earnings ratio	Book value per share
(f)	**Allied Supermarkets[2]**/grocery stores	$ 41.2	$ 7.90	$ 534.8	$ 3.2	$ 0.61	2⅛	3.5	d
	American Airlines/airline	106.0	3.69	3,821.0	d125.2	d4.78	14⅞	d	$23.75
	American Motors/auto	72.0	1.38	2,552.6	d197.5	d6.00	4⅞	d	9.25[3]
	RL Burns/coal, oil and gas	36.3	2.27	104.9	8.2	0.54	7⅛	13.2	0.50
(f)	**CI Mortgage Group**/real estate investment tr	33.6	6.98	11.6	2.9	0.61	7¾	12.7	9.42
	Cenco/health care services	15.9	1.58	143.9	6.4	0.61	10⅜	17.4	4.85
	Chicago Milwaukee/diversified holding co	173.0	70.55	111.1	2.1	0.87	39⅝	45.5	d
	Chrysler/auto	2,000.0	29.86	9,225.3	d1,709.7	d26.00	6¾	d	nil[4]
(p)	**Commonwealth Oil Refining[2]**/oil refining	20.8	1.39	1,313.2	d1.7	d0.22	2½	d	7.00[3]
	Eastern Air Lines/airline	75.0[4]	3.03	3,450.0	d42.1	d1.97	9⅜	d	16.10[3]
	Fedders/climate control systems	70.0	6.31	137.9	d29.0	d2.79	7⅛	d	d
	First Pennsylvania/banking	150.0[4]	9.50	755.7	d164.1	d10.47	4½	d	11.98
(p)	**Food Fair[2,5]**/grocery stores	121.0	16.44	1,124.1	17.6	2.38	4⅛	1.7	d
	Genesco/apparel	29.1	2.31	834.7	4.2	0.08	7	NM	d
	Great Atlantic & Pacific Tea grocery stores	116.0	3.10	6,684.2	d49.9	d1.74	5⅜	d	10.85[3]
(f)	**Grolier**/publishing	41.8	3.94	312.7	9.3	0.84	2⅜	3.1	d
	Intl Harvester/agricultural equip	165.8	5.21	6,311.8	d271.5	d8.86	18⅞	d	53.30
(o)	**Itel[2]**/leasing	275.0	23.02	223.8	d63.4[4]	d5.30[4]	½	d	d
	Jonathan Logan/apparel	4.2	0.81	438.7	6.6	1.28	9½	7.4	25.65[3]
	Leucadia National/finance	10.0	3.29	25.6	d2.8	d0.83	6⅜	d	8.20
	LTV/integrated steel	200.0	4.77	8,010.0	127.9	3.95	22⅞	5.8	21.00[3]
(o)	**MCI Communications**/telecommunications	2.6	0.08	144.3	14.8	0.12	13⅜	NM	0.40[3]
	McLouth Steel/integrated steel	48.7	8.93	614.0	d55.0	d10.22	7⅞	d	22.65[3]
	Memorex/computer equipment	16.0	2.21	768.7	d29.0	d4.42	13½	d	19.25[3]
	National Tea/grocery stores	12.0	1.20	1,219.3	8.7	0.87	5¼	6.0	8.45[3]
	The Outlet Co/broadcasting	1.0[4]	0.39	313.1	d33.3	d13.53	33⅝	d	d
	Pan American/airline	130.0[4]	1.83	3,550.4	80.3	1.13	4⅞	4.3	8.30[3]
	Penn Central Corp/multicompany	600.0	25.91	2,013.7	93.6	2.72	45⅝	16.8	50.70
	Pier 1 Imports/retail	43.0	8.27	117.2	d2.8	d0.57	3⅛	d	2.05
	Republic Airlines/airline	46.9	2.24	916.7	d24.7	d1.19	6⅞	d	5.25[3]
	Sambo's/restaurants	22.0	1.71	490.1	d11.6	d0.90	5¼	d	1.75[3]
	F&M Schaeffer[6]/brewing	38.0	20.42	183.5	0.6	0.14	7	50.0	d
(m)	**Seatrain Lines[2]**/ocean transport	35.7	2.47	1,257.5	d219.6	d15.16	½	d	d
	Singer Co/sewing machines; electronics	55.0	3.32	2,786.6	38.1	1.92	16⅛	8.4	13.30[3]
	Teleprompter[7]/cable TV	11.0	0.65	203.6	23.2	1.36	34⅛	25.1	6.00[3]
	Todd Shipyards/shipbuilding	9.6	2.25	507.4	14.3	3.08	26	8.4	28.08
	UNC Resources/uranium mines	12.8	1.22	267.3	d32.0	d2.99	13⅛	d	14.37
	United Merchants & Mfrs/textiles and apparel	158.0	26.63	622.0	d28.0	d4.72	5¼	d	9.63
	Western Air Lines/airline	15.5	1.19	995.7	d29.6	d2.46	10⅛	d	12.60[3]
	Wheeling-Pittsburgh Steel/integrated steel	4.0	1.03	1,054.1	14.7	2.85	29⅛	10.2	87.50[3]
(o)	**White Motor[2]**/manufactures trucks	10.4	1.11	1,211.0	d56.6	d6.17	3⅝	d	NA
	Wyly/computer services	20.0	1.72	117.8	19.5	1.54	11⅞	7.7	3.25

[1] All companies listed on the New York Stock Exchange except those labeled (m) Midwest Stock Exchange, (o) over-the-counter market, (p) Pacific Stock Exchange, (f) Philadelphia Stock Exchange. [2] Company filed for reorganization under Chapter 11. [3] Estimate from *The Value Line Investment Survey*. [4] Estimate. [5] Shareholders approved reorganization into a holding company: Pantry Pride. [6] Stroh Brewery made acquisition offer @ $7.40/share. [7] Westinghouse made acquisition offer @ $38/share. d: deficit. neg: negative. nil: negligible. NA: not available. NM: not meaningful.

APRIL 27, 1981 TWO DOLLARS FIFTY CENTS

Forbes

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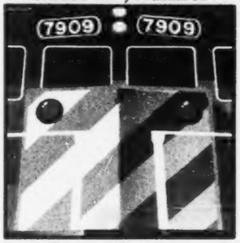
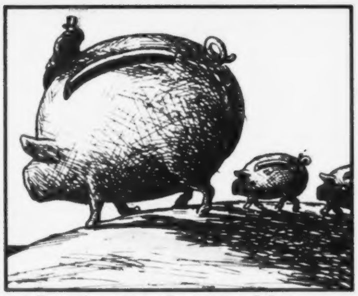
April 27, 1981
Volume 127, Number 9



120 Cover Story: "Burlington Northern is where the Union Pacific was a decade ago," says one rail analyst. If he's right, investors could get a pleasant ride indeed.

35 Sweden: The welfare state carried to its logical conclusion, the society that is the model for democratic socialism around the world, may have come to the end of the road.

58 Condec Corp. Its prize subsidiary may finally turn this ugly duckling into a corporate swan.



62 Pension Funds: "Herd instinct" can be translated, apparently, into any language.

Features

International Finance: An Opportunity For OPEC
With Western banks strained to the limit, the Arabs seem the likeliest candidates to help Eastern Europe meet its mammoth credit needs. 31

Investing: "The World's Best Venture Capital Market"
"We can't be doing $4.4 billion a year if it's a rogue's game," says the chairman of the wild and woolly Vancouver Stock Exchange. Maybe not, but if you're faint of heart or slow of wits, it would be best to steer clear. 32

Companies: Teleprompter Corp.
Jack Kent Cooke got his. So did Allen & Co. Other shareholders are waiting. 33

Companies: Ideal Toy Corp.
Not even Rubik's Cube may be enough. 34

Sweden: The Dream Becomes A Nightmare
The very model of the modern welfare state seems to be nearing a dead end. Will the Swedes do something about it? Maybe. But don't bet on it. 35

Companies: Southern California Edison
It's no fun being a utility executive these days. So why is Bill Gould so enthusiastic? 42

Exports: Beating The Japanese On Their Own Turf
How three well-known U.S. companies did it. 44

Companies: Pfizer Inc.
Those new drugs call up dazzling prospects. But there's more than that to greatness. 51

Companies: Air California
If promotion won Oscars, Herb Kunzel would probably get one—on the West Coast. The East Coast mood is a little more subdued. 54

Companies: Condec Corp.
Beneath its shabby exterior, a glittering jewel. 58

Pension Funds: The Prudent Man Abroad
While all those nervous foreigners are socking away savings in Wall Street, U.S. pension fund managers are investing billions abroad. 62

Companies: Omark Industries
What does it avail a company to be the leader of a market but a slave to that market's cycles? Omark decided to do something about it. 66

Savings: IRAs For The Masses?
Congressional sentiment for it is growing. 68

Companies: CBI Industries
Buried in the venerable bridge-builder's conservative accounting is a lot of hidden value. 87

Auto Repairs: Who's Cashing In On The Boom?
A little knowledge and a good wrench no longer are enough to handle auto repairs in an age of solid-state ignitions and catalytic converters. But cars keep getting older and there's no longer a gas station on every corner. It all adds up to an enormous opportunity. 90

The Up-And-Comers: Safety-Kleen Corp.
So simple—and so profitable. 96

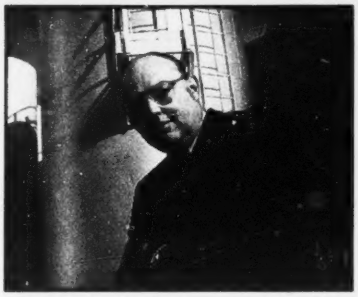
The Up-And-Comers: Aztec Manufacturing
L.C. Martin is given to surprisingly sanguine predictions about his market, and surprisingly cautious decisions about his company. 102

Companies: Baker International Corp.
We can't defend the Middle East, says Hubie Clark. For an oilfield services outfit, the meaning is clear. 106

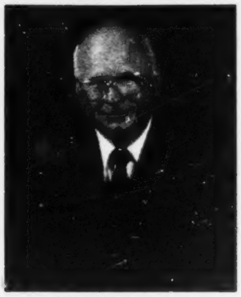
The Money Men: A. Michael Lipper
This is the other Lipper—a different cup of tea. 108

The Numbers Game: The SEC Retreat On RRA
The Commission's decision to scuttle reserve recognition accounting for oil and gas producers was not one of its finer moments. Also: why the game is now over for a few tax-shelter scams. 110

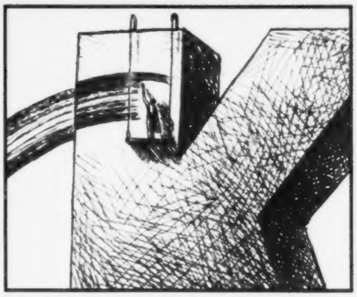
87 CBI's Marvin Mitchell: Old-fashioned accounting has its satisfactions.



96 The Up-And-Comers: Cleaning greasy parts in any machine shop is a thankless chore. Just the sort of thing a smart company can turn into big profits.



116 Worthington Industries' John McConnell: It sounds corny, but it works like a charm.



188 The Streetwalker: There may be bargains in the store . . . but in the stock?

Companies: Piedmont Aviation
Tom Davis opposed deregulation, but he's learned to live with it very well indeed. 112

Companies: Worthington Industries
A success story in the steel industry? Yes, and an entrepreneurial success at that. 116

Cover Story: Burlington Northern Inc.
After four decades in the wilderness, railroads are coming into their own. Nowhere is the potential greater than at the biggest of them all. 120

The Funds: National Aviation & Technology Corp.
Flying high after some stormy weather. 128

Profiles: Walter Schoenfeld
The impresario of the country's largest privately held clothing manufacturer spent much of his youth "seeking greener pastures," many of them on golf courses. Ever since he decided to get serious, though, he has put on a dazzling performance. 131

Faces Behind The Figures

J. Robert Fluor, *Fluor Corp.*
and **John Duncan**, *St. Joe Minerals* 155
Armand Hammer, *Occidental Petroleum* 155
Colin M. Marshall, *Sears Holdings, Ltd.* 155
George Gilder, *Social philosopher* 158
Alvin Benedict, *MGM Grand Hotels, Inc.* 158
William O'Connell, *U.S. League of Savings Assns.* 158
George Fenn, *Rolls-Royce Motors* 159
Greg Brazier, *Shipbuilder* 162
Clive Lindley, *British Social Democratic Party* 162
George Low, *Rensselaer Polytechnic Institute* 163
James Kenneth Galbraith, *Joint Economic Committee* 163

Personal Affairs

How to cope with a tax audit or the moving men; how to teach yourself speed reading; where to stay and dine in London; and what those optional extras add to the value of your car. 164

Money And Investments

What's Ahead For Business? 25

The Forbes Index 26

The Forbes/Wilshire 5000 Review 171

The Streetwalker: Drilling, The Dow And Discounting
Will too many rigs spoil the game? Will the real DJIA please stand up? And does K mart's stock present any bargain? 188

Statistical Spotlight: Winners, Losers And Iron Horses
The biggest gainers and losers on major exchanges in the first quarter; and those amazing railroad stocks. 190

Columnists

Ben Weberman 175
Richard B. Hoey 176
Stanley W. Angrist 178
John Train 180
Srully Blotnick 182
Ashby Bladen 184

Departments

Side Lines 6
Trends 8
Follow-Through 12
Readers Say 16
Fact and Comment.......19
Other Comments 22
Editorial Index 194
Flashbacks 195
Thoughts..........................196

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Forbes

Money and politics make the strangest friends. If you're at a restaurant in Bucharest, don't be surprised if there's a sheikh at the next table.

The new odd couple

By Thomas O'Donnell with Anne Bagamery

ANY BANKER WORTH his three-piece suit knows that there is opportunity in every crisis. And the current problems in Poland are no exception: They offer OPEC the chance to begin playing a role in international finance that could someday rival its worldwide dominance in energy.

Such clout could come if OPEC's cash-rich banks bail out supposedly more sophisticated and experienced Western lenders that are awash with suddenly shaky looking loans to Eastern Europe. The seven Communist countries already owe $80 billion to Western banks, and they will soon need billions more. "With the money that is necessary, OPEC will have to step in," predicts a Citibanker close to the scene.

If he is right, the implications for the world economy are enormous. Until recently, OPEC has avoided playing politics with its fantastic wealth. Fully 50% of its $150 billion surplus sits in supersafe, short-term bank certificates of deposit. Despite arm-twisting by the International Monetary Fund, oil producers have long balked at lending to energy-short less-developed countries.

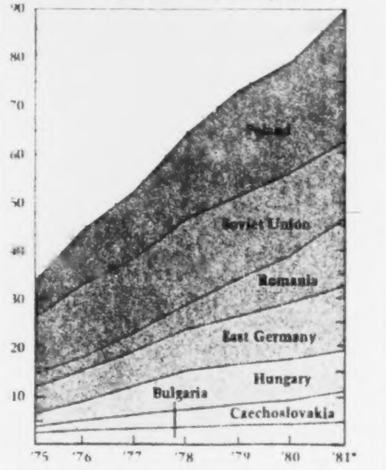
So why should OPEC now channel funds to Eastern Europe? "The Mideast nations may be filled with sheepherders and tent dwellers, but the leaders are highly sophisticated," says Richard Young, president of Young Research & Publishing, a Newport, R.I.-based monetary research firm. "Many have Harvard M.B.A.s. They believe they have a good chance of being paid back by the Europeans. They also believe that lending to the LDCs is like throwing money down a rathole."

Beyond that, OPEC is taking in so much money—its surplus is expected to top $1 trillion by 1985—that it must diversify. The Eastern European nations of Comecon (the Soviet-dominated Council for Mutual Economic Aid) are perhaps the best of a bad lot of hat-in-hand borrowers. Already, Libya, Kuwait and Algeria have placed several hundred million on deposit with Comecon banks. Lenders in the Gulf are also arranging medium-term credits such as January's $200 million, eight-year loan that Arab Bank and the National Bank of Kuwait helped syndicate for Romania.

Leaky umbrella?

Eastern bloc debt to Western banks has tripled since 1975, largely because of the "umbrella" theory that the U.S.S.R. will back up those debts. The theory is untested, but the bloc (except Poland) may still be a reasonable risk.

Comecon's debt to Western banks ($billions)



* Estimates

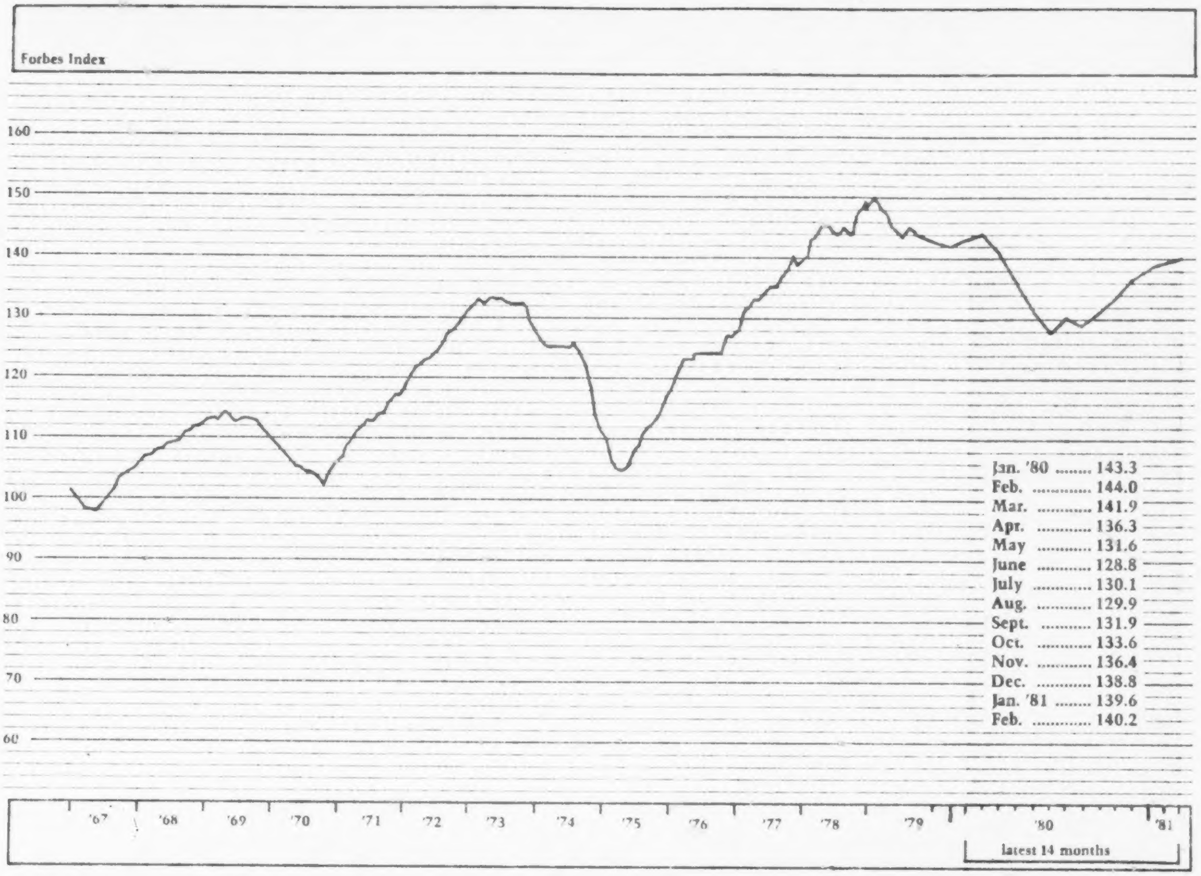
Source: *Bankers Trust Co*

Except for Poland, OPEC believes that the Eastern bloc is still a comparatively good business risk. The OECD agrees and, as evidence, cites Comecon's trade deficit, which went from $7.1 billion in 1976 to a surplus of $2 billion in 1979. With the exception of Poland, in fact, the price Comecon countries have had to pay for money has actually decreased in recent years as maturities have lengthened. Premiums above the London interbank-offered rate, for example, which hovered around 1% in 1977 on medium-term loans, have fallen to 5/8% or even 1/2%. At the same time, the term of a typical loan has jumped from six to ten years.

Still, OPEC's major reason for cozying up to Comecon may not be economic. "OPEC now wants to use its lending as an instrument of statemanship," explains Donald Green, a Chase Manhattan Bank vice president. Surprisingly, that might help the West. Any direct links between OPEC and oil importers reduces the burden of recycling petrodollars. Beyond that, if OPEC's money men become involved with borrowers in Bucharest, Prague or Sofia, they are *de facto* front-line participants in the international banking system. That is something oil producers have studiously avoided and Western democracies have long hoped to see.

There may be another plus in this budding alliance. Now much of the Soviets' clout both with the West and with its Comecon allies comes from its position as bailer-out of last resort—the so-called "umbrella theory" that the U.S.S.R. will back up the bloc's debts. With OPEC on the scene, however, the equation becomes more complicated, and Soviet influence is probably eroded. The Arabs and the Eastern Europeans may appear the oddest of odd couples on the political landscape of the Eighties. But, for the moment, the closer they get the happier U.S. bankers and diplomats will be. ■

The Forbes Index



Jan. '80	143.3
Feb.	144.0
Mar.	141.9
Apr.	136.3
May	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.6
Feb.	140.2

The Forbes Index Components

Heading for a peak. The Forbes Index is still rising—but at the slowest rate since it turned up last August. Most of the current oomph comes from manufacturers' new orders and inventories, both of which are still increasing at a brisk clip. Unemployment claims, however, also have a good-news flavor. They are now falling, after a big jump early in the year.

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

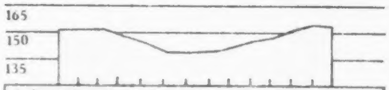
Total retail sales

New housing starts

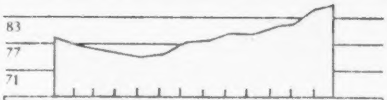
Personal income

The change in the amount of consumer installment debt outstanding

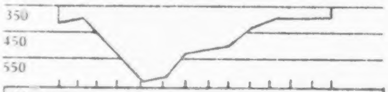
To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



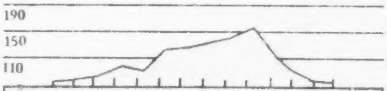
Industrial production index (1967=100)
seasonally adjusted (Federal Reserve)



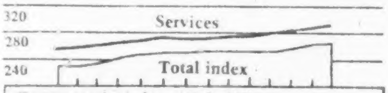
Retail store sales ($billions)
seasonally adjusted (Dept. of Commerce)



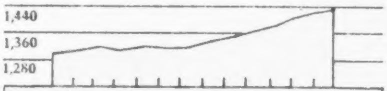
Unemployment claims (thousands)
seasonally adjusted (Dept. of Labor)



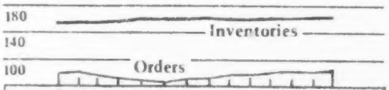
New housing starts (thousands)
privately owned, unadjusted (Dept. of Commerce)



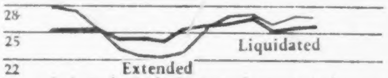
Consumer price indexes (1967=100)
all urban consumers, unadjusted (Dept. of Labor)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)

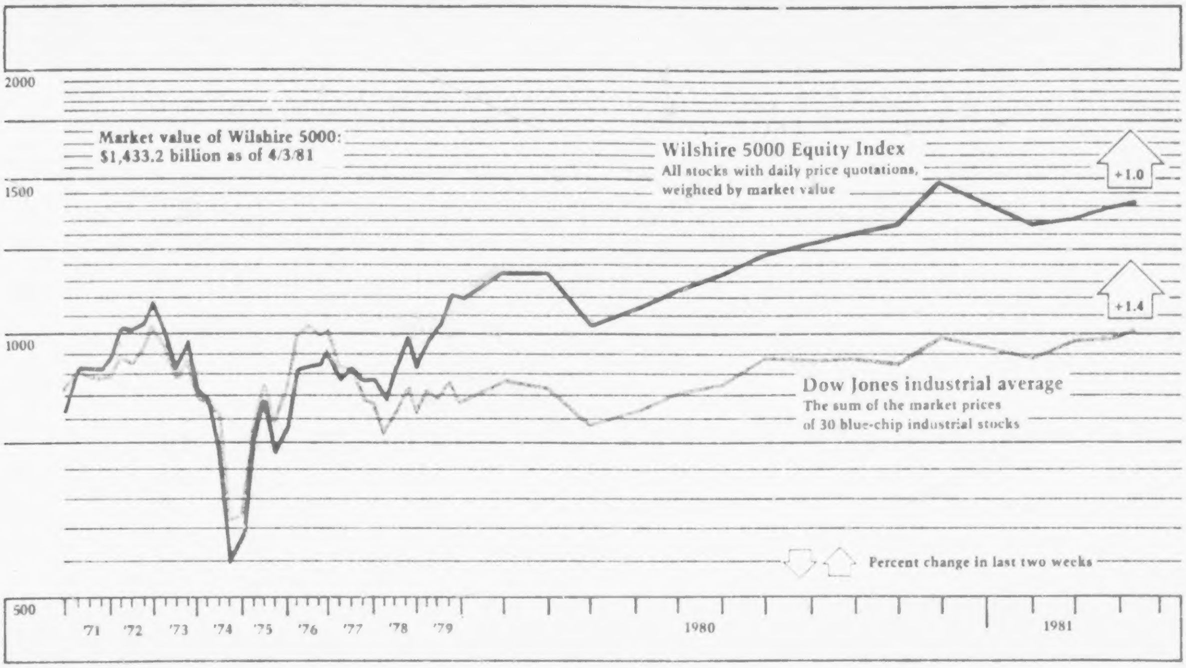


Manufacturers new orders and inventories
($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions)
total, seasonally adjusted (Federal Reserve)

The Forbes/Wilshire 5000 Review



The Dow is sending false signals. It is now outpacing the Wilshire—at least over the most recent two weeks. That's when Wall Street's most quoted indicator regularly closed above the magic 1000 mark. Sober-sided investors, however, need more than just a four-digit Dow to fuel their optimism. Much of this recent rise comes from a spurt in just one stock, American Can. Its share price jumped by 30% in the wake of recent divestiture proposals. Such is the stuff of solid market advances.

Over the longer four-week period, however, the indexes are behaving largely as they did in 1980. The strongest gains are coming from the ASE and NASDAQ, with NYSE blue chips bringing up the rear. The big winners of the moment are companies that did so well last year—high volatility, high P/E, high growth issues. One month ago, of course, the trend was just the opposite.

The sudden turnabout typifies Wall Street's overall confusion. Investors have fast-changing and contradictory feelings about the future. One moment interest rates are falling and stocks surge ahead. Two days later, inflation is rampant and stocks collapse. Nobody is really sure what's happening, so everybody changes his mind at the slightest provocation. Result: The market manages a succession of short, impressive turns—and never really moves.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	4.9	4.4	4.9	9.6	6.4
in last 52 weeks	35.9	28.4	34.8	55.7	56.3

Stock performance based on five key investor yardsticks

Percent change	Volatility *		P/E Multiple		Dividend yield		Growth profile †		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	9.3	4.9	7.2	6.0	4.7	9.0	8.6	6.3	6.8	9.0
in last 52 weeks	85.7	25.1	86.5	37.1	20.8	60.8	69.2	38.8	43.0	58.8

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

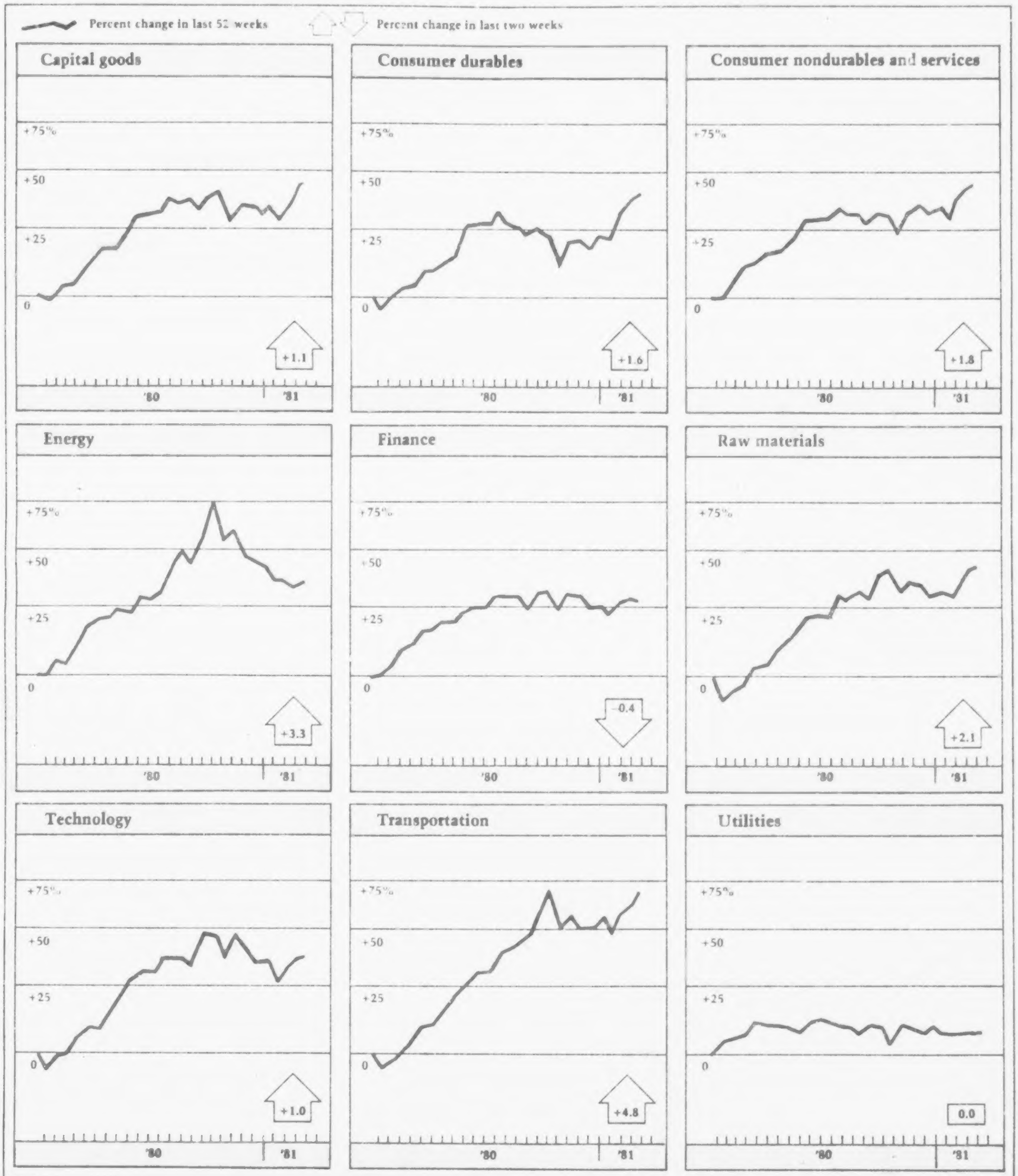
Note: All data for periods ending 4/3/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Keep your eye on the top row of charts. Since 1981 began, Wall Street has been on the prowl for new leadership. Now, each of these groups—capital goods, consumer durables and nondurables—is posting impressive gains. What's more, if the concepts of technical analysis are any guide, trend lines are robustly bullish.

The solidest performance, of course, still comes from the transportation sector. It may even surge above last year's highs: Airlines are popular once again, and the resource-rich rails are gaining back some of the ground they gave up when energy stocks collapsed last year.

That debacle may be over. But consider this: Oil stocks have performed worse over the past 52 weeks than any other groups except finance and utilities.



Note: All data for periods ending 4/3/81. Prepared by Wilshire Associates, Santa Monica, Calif.

During the first quarter, investors rekindled some old flames. Today's new sweethearts? Airlines, manufactured homes and restaurants.

Wall Street's changing affections

By Steve Kichen

COMPANIES THAT HAD BEEN out of favor on Wall Street for the last few years showed some of the best gains in the first quarter of 1981. Our Winners list is laden with former pariahs in such industries as airlines, manufactured homes, apparel, electronics and restaurants. The market boosted these stocks even though, in many cases, earnings are still at a subpar level.

Few things can push the price of a stock up faster than a juicy acquisition offer, and takeover action boosted several stocks dramatically. Among the more notable Winners and their potential acquirers: Kennecott and Standard Oil of Ohio; Oscar Mayer and General Foods; AVC and Raybestos-Manhattan.

Neither Winners nor Losers are overly generous with dividends. Few of these recently volatile stocks pay market yields, and 61 of the 90 companies do not pay any dividend. By plowing back earnings many of these firms can enhance their potential for future growth.

So it may come as little surprise if a few of today's Losers become tomorrow's Winners. And if the turnaround candidates in the Winners section do not perform as expected, they just might become future Losers.

Winners and losers

The market composite indexes finished the first quarter of 1981 with generally modest gains—the NYSE index was up a mere 0.5%, the Amex, a more respectable 3.3%, and the NASDAQ, 3.9%. But, as usual, a large number of stocks did much better or worse than the market averages. Below are the 15 biggest gainers and losers on the New York and American stock exchanges and the over-the-counter market.

Company/principal business	% change since Jan. 1	Recent price	Price as of Dec. 31, 1980	Price range: Jan. 1 to present	Latest 12-months EPS	Price/ earnings ratio	Indicated dividend	Indicated yield	Annual revenue (mil)
New York Stock Exchange									
Winners									
Kennecott[1]/copper mining	106%	55⅜	26⅞	55½–23	$2.79	19.8	$1.40	2.5%	$2,255.8
Texas International/oil and gas	105	39¼	19⅛	46⅞–17⅛	0.86	45.6	0.05	0.1	84.3
Mobile Home Industries/mfd homes	100	4½	2¼	4¾– 2⅛	0.14	32.1	—	—	70.1
Armstrong Rubber/tire and rubber	97	38½	19½	39⅞–19½	4.13	9.3	1.20	3.1	401.3
LITCO Bancorp NY[2]/banking	90	24¾	13	26¼–13⅛	1.90	13.0	1.00	4.0	101.4
Piedmont Aviation/airline	90	24	12⅝	24⅛–11½	3.32	7.2	0.20	0.8	473.4
First Pennsylvania Mortgage Tr/real estate	89	2⅛	1⅛	2⅛– ⅞	d 0.49	d	—	—	6.6
Oscar Mayer[3]/processed meats	79	28¾	16	28¾–15¾	1.62	17.7	1.20	4.2	1,774.3
Farah Manufacturing/apparel	74	12⅝	7¼	12⅞– 6¼	0.73	17.2	—	—	122.7
Frigitronics/eye-care products	74	15¼	8¾	15½– 8¼	1.23	12.3	0.30	2.0	79.8
Culbro/cigars, snack foods	73	17¾	10¼	19¼–10⅜	1.10	16.1	—	—	440.9
Dillingham[4]/building	72	31⅛	18	32¼–17⅛	2.64	11.7	0.70	2.2	1,361.9
Keystone Consolidated Ind/specialty steel	70	15⅛	8⅞	15½– 9⅛	d 5.37	d	—	—	396.1
Stone Container/paper containers	69	25¾	15⅛	27¼–14⅜	2.78	9.2	0.64	2.5	379.2
Philips Industries/manufactured homes	68	12	7⅛	12⅛– 6¾	1.17	10.2	0.40	3.3	259.1
Losers									
Modular Computer Sys/computer services	–44	13¼	23⅞	24 –11¾	0.81	16.3	—	—	81.1
Beker Industries/fertilizer	–37	15	24	25 –13⅞	2.49	6.0	—	—	295.2
Empire Inc/liquid propane gas	–35	27¾	43¼	49½–24½	1.71	16.2	0.40	1.4	357.7
Coastal Corp/refining, marketing oil	–35	29⅞	46⅜	46½–28⅛	4.63	6.4	0.50	1.7	5,119.9
Charter Co/oil and gas	–35	12½	19½	20⅜–11⅞	1.59	7.8	1.00	8.0	4,563.0

[1] Standard Oil of Ohio made acquisition offer at $62 per share. [2] Banca Commerciale Italiana of Milan made acquisition offer at $35 per share. [3] General Foods made acquisition offer for $29 cash and preferred stock. [4] Company plans spinoff of certain real estate assets. [5] Contingent merger plan with Gray Drug at $20 per share. [6] Company agreed in principle to combine with Motor Oils Refining Holding Co. [7] Early in 1981 Wal-Mart Stores terminated an agreement in principle to acquire Kuhn's. [8] Merger pending with Raybestos-Manhattan. [9] Discussing possible merger with Hollywood Park. [10] Company is in Chapter 11. d: deficit. NA: Not available. NM: Not meaningful.

Source: Standard & Poor's.

Winners and losers

Company/principal business	% change since Jan. 1	Recent price	Price as of Dec. 31, 1980	Price range: Jan. 1 to present	Latest 12-months EPS	Price/ earnings ratio	Indicated dividend	Indicated yield	Annual revenue (mil)
Centronics Data Computer/computer equip	–34%	14½	22¼	24¼–12⅛	$0.63	23.0	—	—	$127.6
Commodore Intl/business machines	–33	33¼	49¾	49¼–24	1.85	17.9	—	—	125.6
Murphy Oil/oil and gas	–32	33¾	50	51½–33	4.03	8.3	$0.75	2.2%	1,966.7
Stone & Webster/engineering & construct	–31	33¾	49⅝	49⅝–33½	4.97	6.7	1.85	5.5	258.1
Ocean Drilling & Explor/oilfield services	–30	35	50	50½–32¼	2.67	13.1	0.80	2.3	697.3
Hi-Shear Industries/fasteners	–30	16¾	24¼	24⅜–16	2.52	6.6	0.50	3.0	79.6
Grow Group/specialty coatings	–30	8⅞	12¾	13½– 8	0.97	9.1	0.36	4.1	227.6
Tosco/oil refining, coal prod	–29	22¼	31⅝	33 –19¾	2.15	10.3	—	—	2,387.2
Basic Resources/oil and gas	–29	5¾	8⅛	8⅜– 5⅝	0.29	19.8	—	—	29.8
Texas Eastern/gas line, petrol marketing	–28	56½	79¼	79⅜–54⅛	8.72	6.4	3.20	5.7	4,272.9
American Stock Exchange									
Winners									
Drug Fair[5]/drugstores	131	18½	8	18⅝– 7⅞	0.99	18.6	0.40	2.2	266.5
Kirby Exploration/transportation services	112	293	138	301¾–133	8.10	36.1	—	—	73.4
Nexus Industries/apparel	108	14⅞	7⅛	15 – 7	0.66	22.5	—	—	41.1
Bethlehem Corp/metal fabricating	107	7	3⅜	7½– 2⅞	0.48	14.5	—	—	14.5
Sparkman Energy/gas pipeline	104	18⅜	9	18½– 9	0.17	NM	—	—	21.2
Frequency Electronics/electronics	101	34¼	17	37⅝–16¾	0.69	49.6	—	—	9.3
TII Industries/electronics	101	32¾	16¼	33¾–16½	1.33	24.6	—	—	15.2
Pizza Inn/restaurants	93	7¾	4	8⅜– 4	0.59	13.1	—	—	125.2
Quebecor/publishing	93	16	8¼	16⅜– 9	1.26	12.7	0.34	2.1	151.4
Kit Manufacturing/manufactured homes	92	3⅜	1¾	3¾– 1⅝	d 0.45	d	—	—	28.8
Sunair Electronics/electronics	91	17	8⅞	18⅞– 8¼	0.85	20.0	0.35	2.1	12.2
Connelly Container/paper containers	84	4⅝	2½	5⅞– 2⅝	0.47	9.8	—	—	49.5
Champion Home Builders/mfd homes	83	2¾	1½	2⅞– 1⅛	d 0.08	d	—	—	215.4
Inflight Services/films aboard airlines	81	5	2¾	5⅜– 2¼	0.30	16.6	—	—	22.0
Nortek/textiles	80	11¼	6¼	11⅝–6¼	1.41	7.9	0.80	0.7	141.0
Losers									
Askin Service[6]/retail	–52	2¾	5¾	5¾– 2½	d 1.03	d	—	—	7.7
Kuhn's Big K Stores[7]/retail	–46	2¾	5⅛	5⅝– 2¾	d 2.09	d	—	—	287.2
Solid State Scientific/semiconductors	–45	10½	19¼	19⅞–10¼	0.66	15.9	—	—	33.6
Dorchester Gas/natural gas	–36	17¾	28⅛	28½–17⅛	1.95	9.1	0.16	0.9	608.8
Health-Chem/health care supplies	–35	18½	28⅞	29¼–14	0.33	56.0	—	—	77.6
Voplex/auto equipment	–33	11¼	17	17¼–11¼	0.59	19.0	0.52	4.6	43.1
Rusco Industries/building materials	–33	1¾	2⅝	3 – 1⅝	d 1.02	d	—	—	70.2
Colonial Commercial/apparel	–33	2	3	2½– 1	d 0.86	d	—	—	30.3
Worldwide Energy/oil & gas explor and dev	–32	11⅝	17¼	17¾–11⅛	0.35	33.2	—	—	43.2
Data Access Systems/computer equip	–31	16	23¼	24⅛–13⅞	1.60	10.0	0.20	1.2	37.2
Crown Central Petrol/refining, mktg oil	–31	20	29	30 –19½	2.82	7.0	0.80	4.0	1,273.6
AVC[8]/metal fabricating	–31	8¼	12	11¾– 8	d 2.01	d	—	—	88.7
Horn & Hardart (NY)/mail order, restaurants	–30	13¼	19	19⅛–12½	0.98	13.5	—	—	128.2
Baruch-Foster/oil and gas	–30	18⅝	26⅞	28⅝–18	1.21	15.3	—	—	3.4
Summit Energy/oil & gas explor & dev	–28	22½	31⅜	31¾–20½	0.62	36.2	0.20	0.9	6.1
NASDAQ									
Winners									
Digital Switch/telecom equipment	272	8⅜	2¼	8⅜– 2	d	d	—	—	NA
Chaparral Resources/oil & gas production	164	31¾	12	31¾–10⅜	d 0.07	d	—	—	0.3
Comm Corp of America/telecom equip	163	11⅞	4½	11⅞– 4⅝	0.47	25.2	—	—	15.9
First Newport/real estate investment trust	149	9⅜	3¾	9⅝– 3¾	0.66	14.1	—	—	18.6
Enzo Biochem/enzymes	131	25½	11	27¼–10½	d 0.01	d	—	—	0.1
Morgans Restaurants/restaurants	128	4	1¾	5¼– 1½	d 0.35	d	—	—	8.1
Groman/electrical equipment	123	2½	1⅛	2½– 1⅛	0.08	31.2	—	—	22.7
Texas General Group/oil and gas	115	37¾	17½	38¾–14½	0.43	NM	—	—	14.5
Unifi/textiles	114	14¾	6⅞	14¾– 6¾	1.50	9.8	—	—	142.9
ProGroup/recreation equipment	112	2⅛	1	2⅛– 1	0.19	11.1	—	—	21.8
Amfesco Industries/shoes	110	21	10	21 – 9	3.01	6.9	—	—	34.2
Capitol International Airways/airline	100	2½	1¼	3⅛– 1	d 1.76	d	—	—	93.1
Los Alamitos Race Course[9]/race track	100	24	12	25 –11½	1.12	21.4	0.72	3.0	14.3
Sea Galley Stores/restaurants	100	16½	8¼	16½– 8¼	0.82	20.1	—	—	22.9
Washington Corp/REIT	100	2¾	1⅜	3⅜– 1⅜	0.05	55.0	—	—	2.9
Losers									
Meta Systems/electronics	–65	1½	4⅜	4¼– 1½	d 0.40	d	—	—	0.3
Clinical Sciences/health care supplies	–57	6½	15¼	15¾– 6¼	d 0.07	d	—	—	3.6
Gilman Services/drug & cosmetic distrib	–56	5⅞	13½	20 – 4¼	d 0.59	d	—	—	114.6
TPEX Exploration/oil and gas	–55	1⅛	2⅝	2⅝– 1⅛	0.01	NM	—	—	0.9
Gulf Energy/oil and gas	–55	1⅝	3⅝	3⅝– 1½	0.01	NM	—	—	3.1

Company/principal business	% change since Jan. 1	Recent price	Price as of Dec. 31, 1980	Price range: Jan. 1 to present	Latest 12-months EPS	Price/earnings ratio	Indicated dividend	Indicated yield	Annual revenue (mil)
Comb Equip Assoc[10]/pollution cntrl equip	–54%	1⅜	3	3¼– 1⅛	$d 4.15	d	—	—	$140.5
Sloan Tech/vacuum deposited thin film	–48	3¾	7¼	8¼– 3¾	0.42	8.9	—	—	10.4
Penn Pacific/oil and gas	–48	2	4	3⅞– 1⅝	d 0.29	d	—	—	1.6
UniShelter/land developer	–47	2¼	4¼	4¼– 2	d 1.80	d	—	—	14.1
APF Electronics/electronics	–46	3¾	7	7 – 3½	d 0.28	d	—	—	23.3
Jaco Electronics/electr components distrib	–45	8¾	16	17 – 7¼	1.73	5.0	—	—	64.8
American Mgmt Sys/computer services	–45	18¼	33½	34 –18	1.40	13.0	—	—	48.6
Technodyne/electrical equipment	–42	3¾	6½	6½– 3½	0.56	6.6	—	—	29.0
Hamilton Brothers Petroleum/oil & gas prod	–42	24½	42¾	42¾–21¾	1.37	17.8	$0.10	0.4%	111.4
Amicor/heat transfer equipment	–41	2	3½	3¾– 2	d 0.17	d	—	—	59.2

[1] Standard Oil of Ohio made acquisition offer at $62 per share. [2] Banca Commerciale Italiana of Milan made acquisition offer at $35 per share. [3] General Foods made acquisition offer for $29 cash and preferred stock. [4] Company plans spinoff of certain real estate assets. [5] Contingent merger plan with Gray Drug at $20 per share. [6] Company agreed in principle to combine with Motor Oils Refining Holding Co. [7] Early in 1981 Wal-Mart Stores terminated an agreement in principle to acquire Kuhn's. [8] Merger pending with Raybestos-Manhattan. [9] Discussing possible merger with Hollywood Park. [10] Company is in Chapter 11. d: deficit. NA: Not available. NM: Not meaningful.

Source: Standard & Poor's

Regulators are giving the railroad industry the green light to make more money.

Statistical Spotlight

The rail resurgence

By Steve Kichen

With the Penn Central bankruptcy of 1970 and the well-publicized problems of carriers like the Rock Island, the railroad industry was anything but the darling of Wall Street. Now, of course, all that has changed. Rail stocks are the locomotives that move the market ahead. "A better regulatory environment, more efficient routes from merged lines, new technologies and new marketing concepts make the railroads more attractive investment vehicles," says James Vail, transportation analyst of the Trust & Investment Division of Chemical Bank.

The Staggers Act of 1980, for example, cleared the track several ways. It gave the railroads greater flexibility in establishing and changing rates and permitted carriers to make contracts with major shippers. What's more, the legislation led to a recent ruling by the ICC that allows a minimum return of 11.7% on railroad investments—up from 11.22% previously. "It is quite likely that competition from other railroads and truckers will prevent companies from earning that full amount in every instance," says Vail. However, the table below shows most lines still have ample room to maneuver beneath the new ceiling.

Many lines are also favorably poised to take advantage of the anticipated increase in coal traffic. "In 1980 the rails were supported largely by coal and grain shipments," Vail explains. "Recessionary pressures kept general merchandise shipments down. A turnaround in merchandise shipments on top of coal and grain shipments could result in substantially higher earnings." Beyond that, nearly all railroads have real estate and natural resources on their books at a fraction of actual value. To get an idea of what that can mean, read about Burlington Northern on page 120.

The little engine that could

Over the past 12 months most of the railroads below have at least doubled in price. But even at their present values, most lines show relatively low price/earnings ratios based on the more optimistic of our 1981 earnings estimates and few are even close to earning 11.7% on their railroad investment—as provided for by the Staggers Act of 1980.

Railroad	Recent price	Latest 12-month price range	Earnings per share 1979	Earnings per share 1980	Earnings per share 1981 E	P/E based on high estimate for 1981	Indicated yield	Book value per share	Return on railroad property investment
Burlington Northern	71	77 –33	$6.55	$7.55	$ 7.50–$ 8.00	8.9	1.8%	$65.28	4.1%
CSX	52⅛	55⅝–41⅛	6.12	7.13	8.00– 8.50	6.1	4.9	70.32	NA[1]
Missouri Pacific[2]	92	115 –52⅝	11.68	10.70	11.25– 12.00	7.7	3.9	58.51	8.4
Norfolk & Western Railroad[3]	45⅞	49½–24⅜	6.36	7.05	7.25– 7.75	5.9	5.7	49.18	8.9
Santa Fe Industries	94	109 –49⅞	8.08	10.42	11.50– 12.00	7.8	3.2	78.62	5.9
Southern Pacific	49½	52 –30⅛	6.67	5.78	5.50– 6.50	7.6	5.3	80.36	1.6
Southern Railway[4]	88½	89½–52¾	10.39	11.57	12.25– 13.00	6.8	4.8	83.51	9.1
Union Pacific	74½	96¼–37¼	4.01	4.22	5.25– 5.50	13.5	2.1	29.56	7.6

[1] Composite figure for CSX not available. Return on investment, 1979, for major lines of CSX: C&O 4.6%, B&O 4.5%, Western Maryland 9.6%, Seaboard Coast Line 7.2%, Louisville & Nashville 5.1%. [2] Shareholders to vote on merger with Union Pacific. Proposed exchange: 1.1 common and 0.275 preferred of Union Pacific for 1 share of Missouri Pacific. [3] Share for share merger with Southern Railway has been approved, to form NWS Enterprises. [4] Merger with Norfolk & Western Railroad approved. Exchange: 1 share of Southern Railway for 1.9 shares of NWS Enterprises. E: Estimate. NA: Not available.

Source: Trust & Investment Division of Chemical Bank

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cover 1, p. 4-5, 50, 315-

316, 60, 62, 64-65, 215-216,

218, 220, 222, 226, 228,

231-232, 238, 240, 243-244,

246, 248, 252, 254, 258-

263, 266-271, 274-287, 290-

297, 299-300, 302, 304,

306, 308, 310, 312, 336,

338.

MAY 11, 1981 THREE DOLLARS

Forbes

500's
SALES
ASSETS
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ANNUAL DIRECTORY ISSUE

THE NATION'S LARGEST COMPANIES RANKED FOUR WAYS

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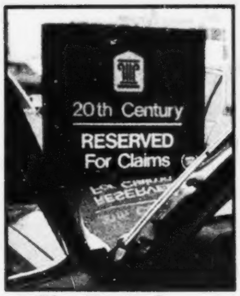
Forbes

May 11, 1981
Volume 127, Number 10

SALES
ASSETS
PROFITS
MARKET VALUE

215 The Forbes 500s: Stress is the law of life for the biggest of U.S. businesses. In 1980 they had quite a bit of it.

60 Caterpillar Tractor: The virtues of keeping your word.



67 The Up-And-Comers: Hard times may be plaguing the auto insurance industry, but not Lou Foster's little 20th Century Insurance.

118 The 110 million people and six countries that make up the modern Russian empire are far from a monolith. Consider the Hungarians.

Features

Government: Reagan's New Antitrust Chief
Will you love him in December as you do in May? 55

Companies: Equitable
According to Coy Eklund's book, Equitable Life is riding higher than ever. But Coy Eklund's book is not the only one; and other books give other answers. 56

Companies: Playboy Enterprises
Its casino flap with the authorities in Britain is far more serious than the company is letting on. 58

Companies: Caterpillar Tractor
What's the reason for the recent zip on Wall Street over this superb, low-profile company? 60

The Up-And-Comers: 20th Century Insurance
Skimming the cream. The thickest cream. 67

Taxing Matters: Is This The End Of Bracket Creep?
A new FORBES feature to keep businessmen and investors abreast of what's happening with taxes. 72

Real Estate: Australia's Gerard Dusseldorp
Will his unorthodox techniques work in the U.S.? 83

Companies: Walt Disney Productions
Don't write off Walt's successors quite yet. 87

The Numbers Game: Bank Mergers
When buying a loser can look like buying a winner. 90

Hungary: "Why Didn't The Poles Learn From Us?"
Because the Hungarians *did* learn from their own mistakes, they are now a laboratory of initiative inside Russia's empire. 118

Rumania: The Anachronism
Hungary's polar opposite, a woebegone country. 131

Wall Street: A Ride With Daljit Ahluwalia
No broker is a hero to his cab driver. 138

Companies: Comdisco
Why is it still so brash, considering its business? 140

Mergers: The Tight Little Isle Gets Tighter
Britain's dim view of foreign acquisitors. 147

Companies: Fuqua Industries
What's J.B. Fuqua really up to? He says he needs a big acquisition, but looks to be making himself a target. ..151

Profiles: Hernando Courtright
The Beverly Wilshire's grand hotelier. 158

Companies: International Minerals & Chemical Corp.
Who's right, Dick Lenon or Wall Street? 163

Companies: Petrolane Inc.
LPG is a daily reproach, but Rudy Munzer is still hoping for a payoff. 168

Companies: Superior Oil
Some shrewd packaging for the public markets. 172

Companies: Parker-Hannifin
Fortunately, Pat Parker decided not to tinker with his predecessors' strategy. 179

The Money Men: Fred Alger
A Sixties legend, back from beyond the pale. 180

Companies: SKF
Sweden's ball-bearing king prospers despite it all. 186

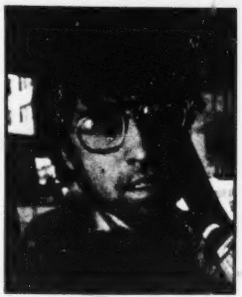
Companies: Lanier
It will be a little more difficult from here on out. 188

Profiles: Sam Stayman
The legendary bridge expert takes his share of tricks on Wall Street, too. 194

Companies: General Dynamics
There's more there than those bad headlines. 199

Communications: The War Of The Wires
Ma Bell versus the cable companies. 204

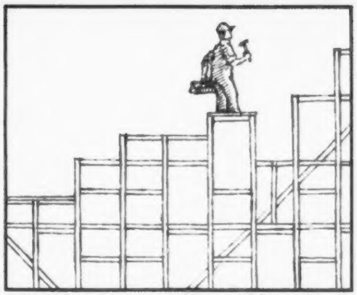
Accounting: Off-The-Book Time Bombs
A new FASB ruling says companies must accrue vacation benefits as a liability. What about cities? 211



138 "I tell you all about Wall Street." Some street-smart talk from a New York taxicab driver.

168 Petrolane: The boom in LPG bottled gas is only deferred, contends Rudy Munzer. In the meantime, he's doing all right.

184 Sam Stayman: There are no sure things in investing or in cards, and psychology is crucial to both.



340 The Streetwalker: What does the baby boom have to do with fiberglass? Read on.

Forbes 500s

Introduction To The Forbes 500s
Big business under stress—on every count but one. 215

The Forbes Sales 500
Take out inflation and there's little to cheer about. 216

The Forbes Profits 500
For many, 1980 was a good year to forget. 226

The Forbes Assets 500
It's not how much, it's what you do with it. 238

The Forbes Market Value 500
Was that ebullient market saying something? 246

Company Roster
An alphabetical directory of the 818 companies on one or more of the Forbes 500 lists above. 258

Jobs And Productivity
The 818, ranked by the number of employees. 299

Faces Behind The Figures

Robert E. Grant, *American Bakeries Co.* 94
William Haselton, *St. Regis Paper Co.* 94
Harold Williams, *Getty Foundation* 94
James Benham, *Capital Preservation Fund* 98
Gordon McLendon, *author* 98
Edward Campbell, *Newport News Shipbuilding* 102
Judith Selkowitz, *Judith Selkowitz Fine Arts, Inc.* 102
Edward R. Becker, *U.S. District Judge* 104
Giorgio Laurenti
and Roberto Riva, *OTIC Corp.* 104

Personal Affairs

Interested in an offshore tax haven? Read what the Treasury Department had to say about them recently. It may cool your ardor. Also: The ultimate executive desk, executive survival training, the family business and the Americanization of Monte Carlo. 106

Money And Investments

What's Ahead For Business? 49

The Forbes Index 50

The Forbes/Wilshire 5000 Review 315

Statistical Spotlight: The Analysts' Estimates
How they did in 1980—not bad—and what they see for 90 companies in 1981. 336

The Streetwalker: Demographics and Doctrines
The graying of the baby-boomers; "opportunities in work clothes"; and Goodman's Gospel. 340

Columnists

Ben Weberman 319
Heinz H. Biel 320
Ann C. Brown 322
David Dreman 324
Srully Blotnick 326
Ashby Bladen 330
John Train 332
Stanley W. Angrist 334

Departments

Side Lines 6
Trends 10
Follow-Through 20
Readers Say 29
Fact and Comment 43
Other Comments 46
Flashbacks 345
Thoughts 348

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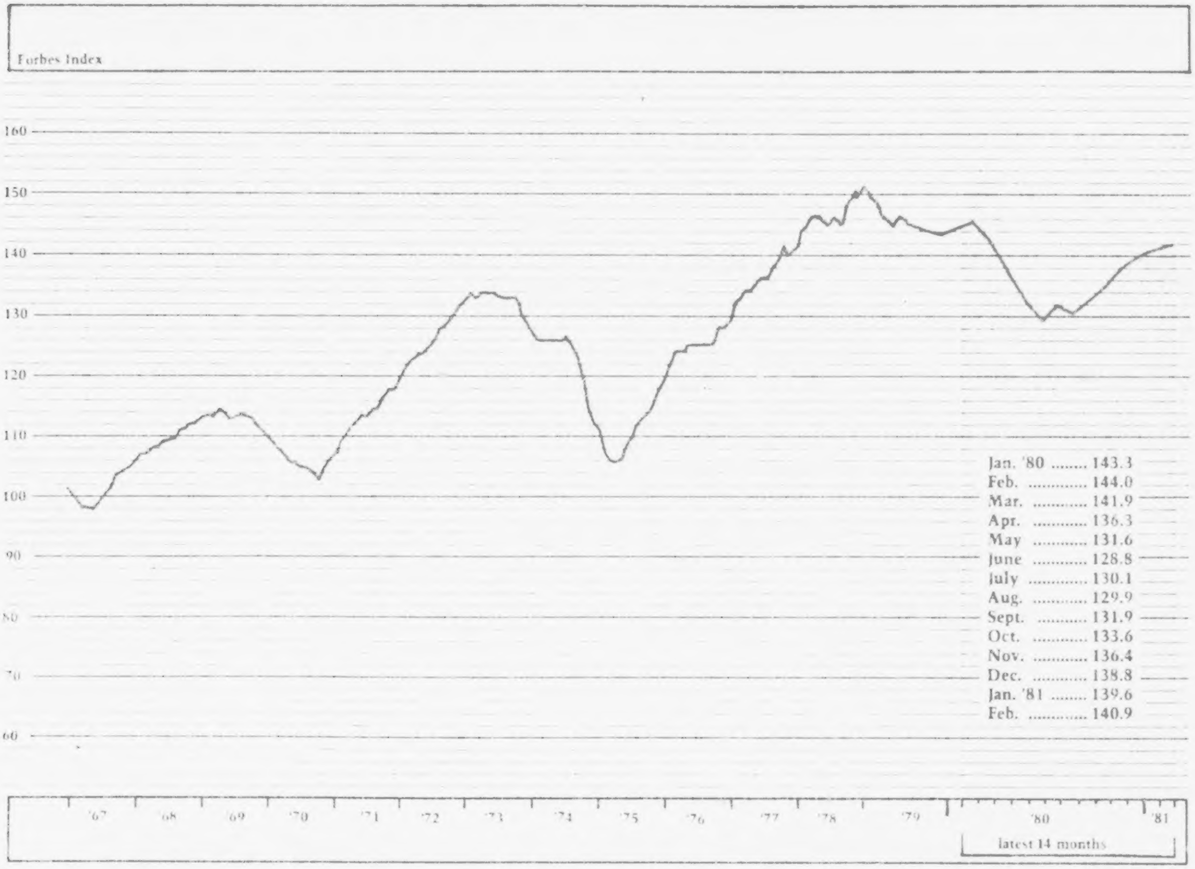
The Forbes Index



Jan. '80	143.3
Feb.	144.0
Mar.	141.9
Apr.	136.3
May	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.6
Feb.	140.9

The Forbes Index Components

Credit where credit is due. The economy is still moving ahead, largely because of a borrowing surge. During the most recent reporting period, consumer installment debt increased by nearly $2 billion, while payments edged up a mere $600 million. That additional buying power keeps the Forbes Index moving, though it is hardly an encouraging reason for the indicator to rise.

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

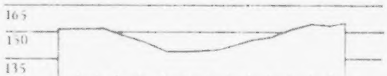
Total retail sales

New housing starts

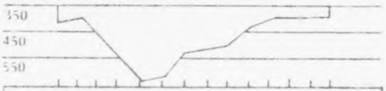
Personal income

The change in the amount of consumer installment debt outstanding

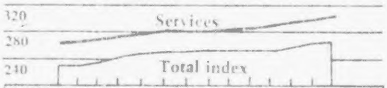
To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



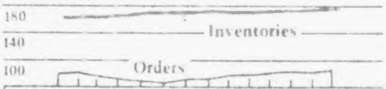
Industrial production index (1967=100)
seasonally adjusted (Federal Reserve)



Unemployment claims (thousands)
seasonally adjusted (Dept. of Labor)

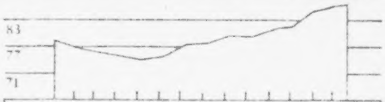


Consumer price indexes (1967=100)
all urban consumers, unadjusted (Dept. of Labor)

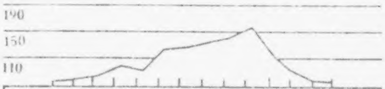


Manufacturers new orders and inventories
($billions) seasonally adjusted (Dept. of Commerce)

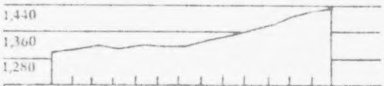
J F M A M J J A S O N D J F M
'80 '81



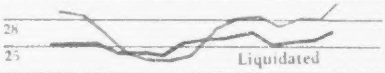
Retail store sales ($billions)
seasonally adjusted (Dept. of Commerce)



New housing starts (thousands)
privately owned, unadjusted (Dept. of Commerce)



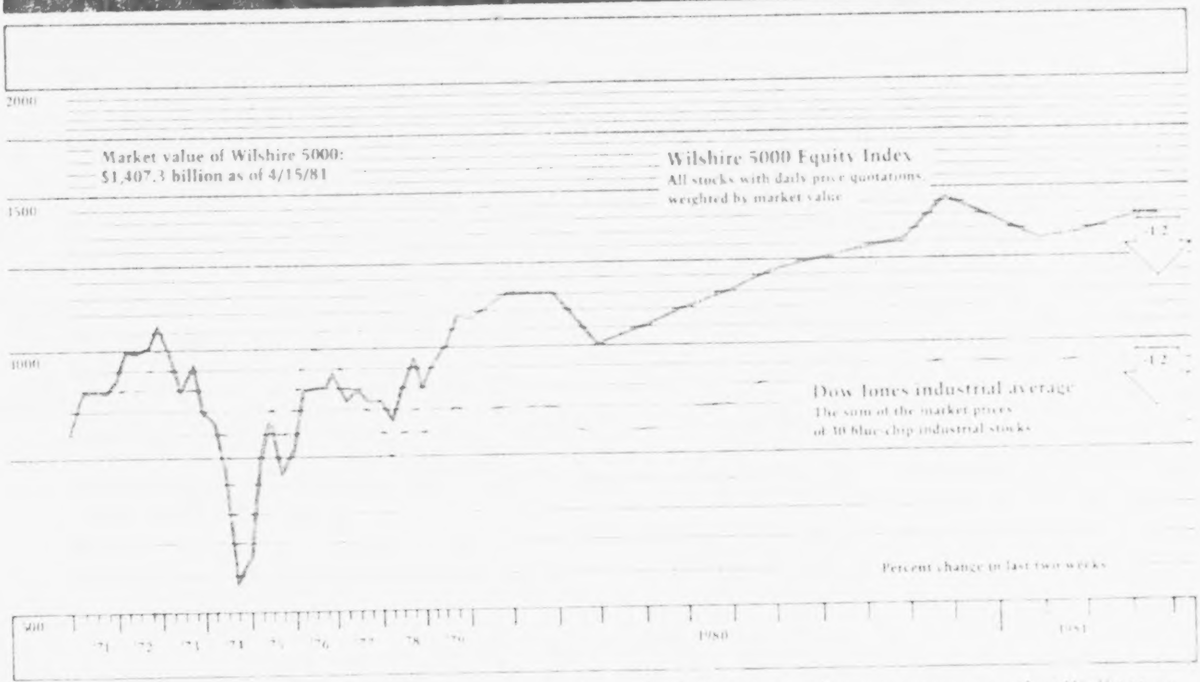
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions)
total, seasonally adjusted (Federal Reserve)

J F M A M J J A S O N D J F M
'80 '81

The Forbes/Wilshire 5000 Review



Is the rally losing steam? The Wilshire's two-week decline marks the first dip since January. In the recent rally, despite the Dow's daily flip-flops, the strength of the Amex and NASDAQ has pulled the overall market ahead—but that trend seems to be weakening.

Investors are plainly confused, changing their minds regularly about whether the future is real growth and stability or double-digit inflation and crippling money costs. The immediate question is the direction of interest rates. Bears think the recent rebound is the start of a surge that will set the prime soaring again. Bulls, on the other hand, see rates as merely wavering from a downward path.

With that in mind, it isn't surprising that Wall Street has yet to chart any firm course for 1981. The recent reversal of leadership—away from last year's laggards and back to the sorts of stocks that led the 1980 rally—underscores this confusion. Once, of course, energy issues were valued as the ultimate inflation hedge. Now that notion has been rejected. The search is on for industries—like airlines, consumer goods or insurance—which could benefit from more stable price levels. But their chance to lead the market won't come easy. First investors must agree on what these new pacesetters are. And then inflation must actually appear to be subsiding.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	1.6	0.8	0.6	4.2	5.4
in last 52 weeks	36.4	29.9	34.2	51.6	58.4

Stock performance based on five key investor yardsticks

Percent change	Volatility*		P/E multiple		Dividend yield		Growth profile†		Share price	
	high	low	over 25	under 5	over 7.5%	none		low	over $40	under $4
in last 4 weeks	7.1	2.5	4.1	4.9	2.8	7.6	6.6	3.9	2.6	8.4
in last 52 weeks	94.5	23.6	88.0	41.2	18.7	68.8	77.5	37.6	43.5	65.7

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 4/15/81. Prepared by Wilshire Associates, Santa Monica, Calif.

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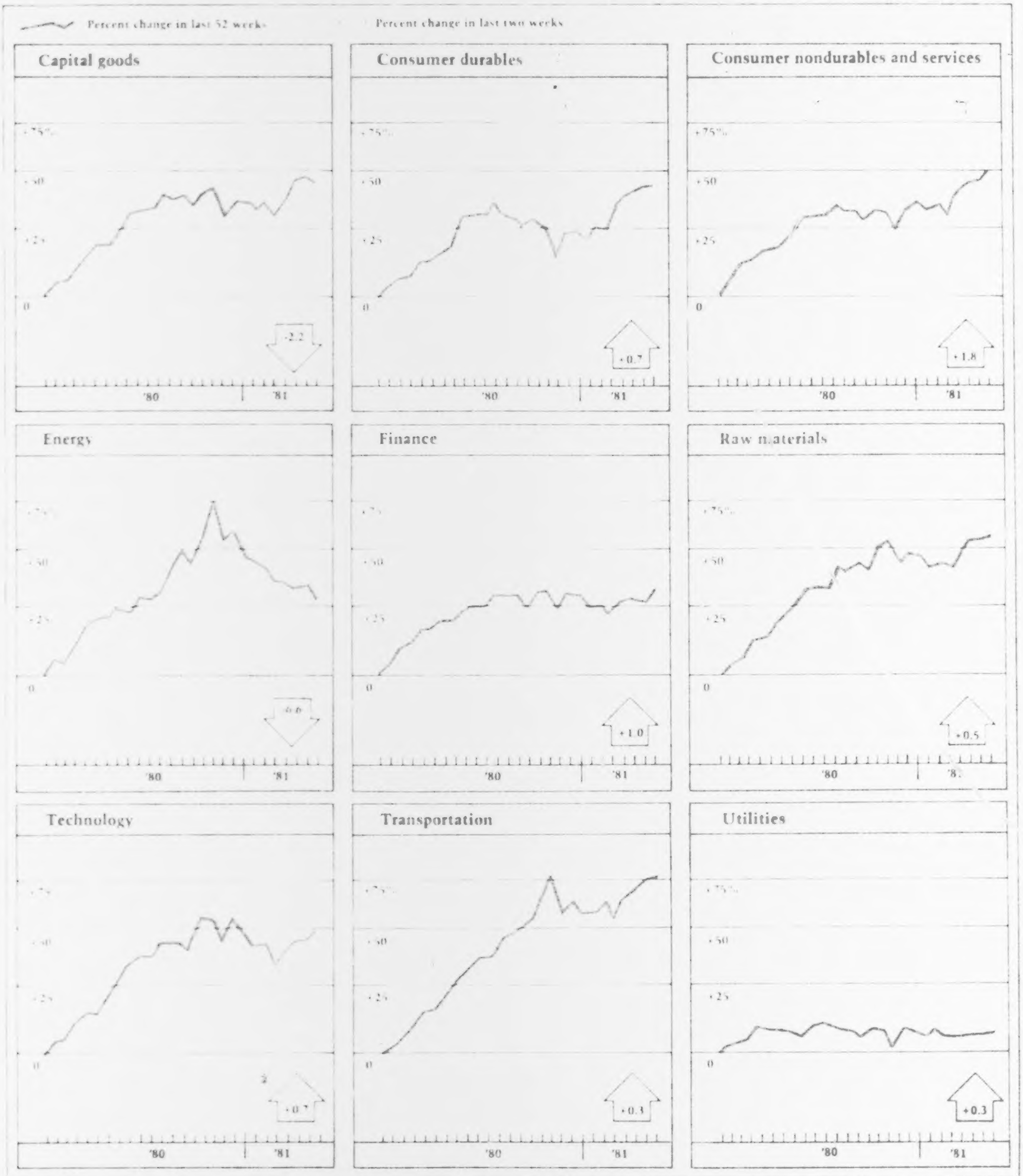
Where The Action Is

Looks can be deceiving. The two best performing groups over the past year are raw materials and transportation—each up well over 50%. But both are special situations. Takeover bids sent shares in most mineral-rich companies soaring, and the transportation sector got a double boost. Western railroads led 1980's rally because oil holdings made them energy plays; airlines are strong now because they should benefit if an oil glut pushes fuel prices down.

A better bullish indicator is the current strength in consumer nondurables, a sector that includes drug, food and merchandising companies. For the most part, these stocks are rising because business is good, dividends are solid and multiples are attractive. Such is the stuff of lasting gains. Are some new stars about to twinkle?



Note: All data for periods ending 4/15/81. Prepared by Wilshire Associates, Santa Monica, Calif.

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Caterpillar is a hot stock again. But that doesn't overly excite Chairman Lee Morgan. He would just as soon take time out to hear criticism from a retired employee.

Playing Peoria—to perfection

By Paul Gibson
with Barbara Rudolph

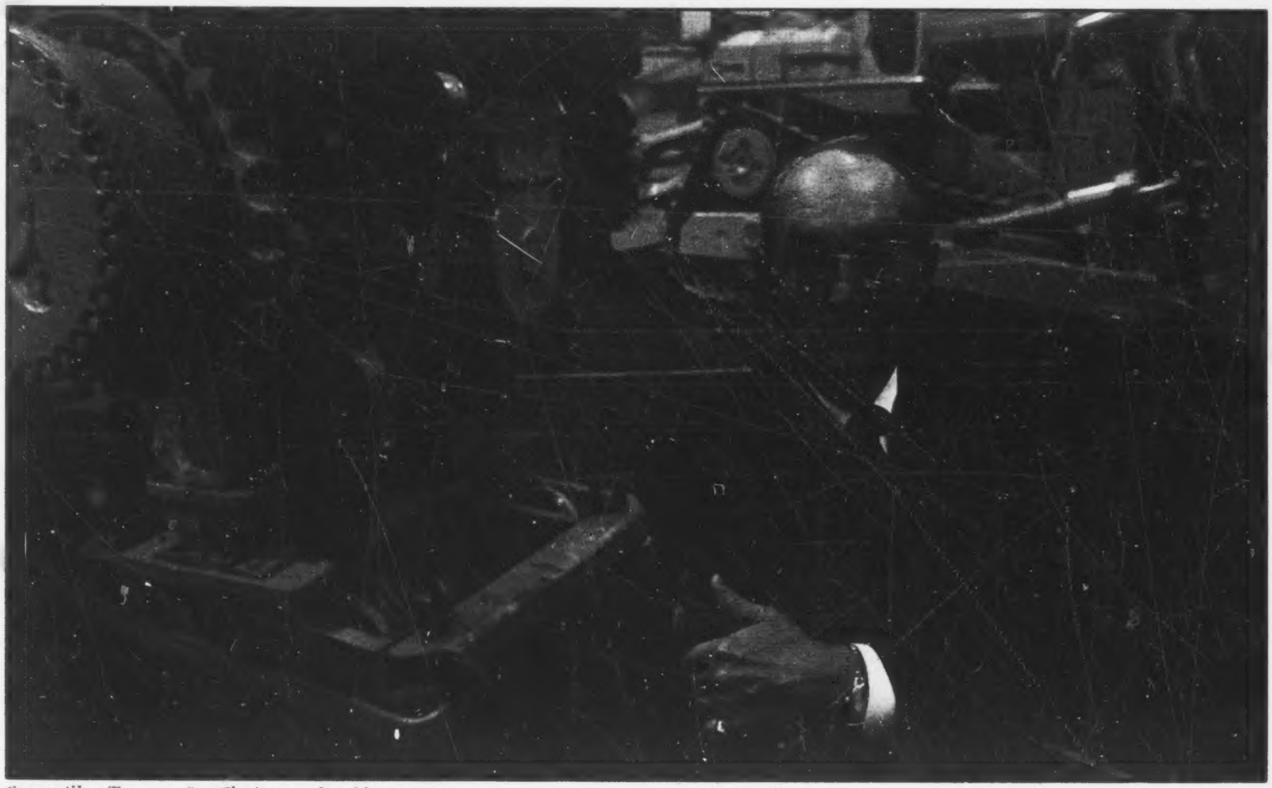
Lee Morgan, chairman of Caterpillar Tractor, has had an unexpected interruption in his tight schedule. Never mind afternoon flights from Peoria to New York and back. A retired employee, who years ago walked to work with Morgan, wants a word with the company's boss. Ushered directly into Morgan's cavernous office, the visitor explains his problem.

His son is a Caterpillar employee who hauls parts between two local plants. A new supervisor has raised his daily trip quota from six to seven. The only way to meet this new schedule is to exceed the speed limit and risk an accident. As the old man voices his concern both for his son's safety and for Caterpillar's reputation, Morgan promises to investigate. Both men know he will keep his word.

That's Caterpillar in a nutshell. A market leader with revenues that will approach $9.5 billion this year, it balances carefully its concern about productivity with a sensitivity for employee morale and corporate reputation. Old-fashioned and out of style, perhaps, but the company genuinely believes in integrity, open doors and small-town loyalty. It is an inbred, promote-from-within organization where executives and workers alike often walked to their first jobs from one of the many small farming communities that surround Peoria. They still climb the ladder by keeping their noses clean and working hard—almost no one leaves. Last year, for example, management easily transferred 20,000 people, almost a quarter of the work force, to help adjust to the recession. A remarkable accomplishment, especially because Caterpillar's hourly workers belong to the United Auto Workers union.

Recently, however, Caterpillar has generated some uncharacteristic zip on Wall Street. Since mid-winter its stock price has increased by nearly 25%, to 69½, a new high. That's a $1.2 billion gain in market value, an incredible increase considering that at year-end CAT already ranked 35th on the Forbes 500s *(see p. 246)*. Much of the gain came because of strong earnings in the final quarter of 1980 and in the first quarter of this year. For the three months ending in March Caterpillar posted profits of $142.4 million—no record but better than many analysts' estimates.

Investors, of course, are excited because CAT seems to be climbing out of

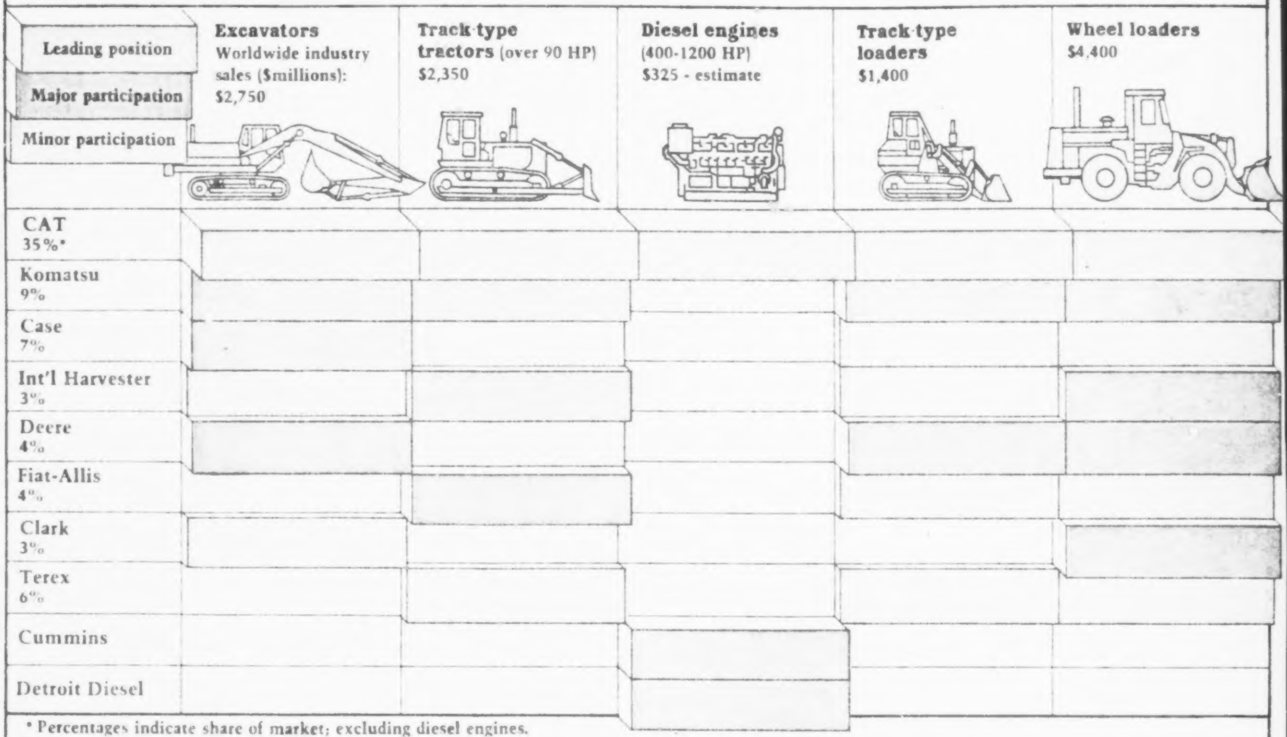


Caterpillar Tractor Co. Chairman Lee Morgan

Building huge earth-moving machines involves a lengthy product planning cycle. But Caterpillar achieves its remarkable growth because it refuses to yield to short-term economic swings.

CAT's deep tracks

Caterpillar has plenty of rivals in each of its five major business segments. But CAT comes out on top in almost every market it enters. And no one can match CAT model for model across the whole product spectrum.



* Percentages indicate share of market; excluding diesel engines.

Source: Wertheim & Co., Inc.

the recession surprisingly fast. "We'll be ramping up in the latter part of this year for a much-improved 1982," Morgan admits. But he's not the kind of man who worries much about the short term. Consider the way Caterpillar handles startup costs. Resolutely, it refuses to pass along expenses associated with new plants in the form of higher selling prices. That would make life too comfortable for the competition. No matter that it crimps earnings this quarter or that.

In recent years CAT has spent vast sums for new plants and machines—over $2.9 billion since 1975. Now the company has more capacity than it needs. As much as one-third stands idle. Predictably, profits have been hurt. CAT made 8 cents on the sales dollar in the mid-Seventies; now it gets barely 6½ cents.

Ahead, as business improves and overcapacity shrinks, those margins will rise. Analysts, in fact, project an accompanying reduction in capital outlays that will give earnings a double boost. But Morgan peers owlishly through his glasses and demurs. It isn't that he doubts profits will improve. Just that he knows expansion must continue. Between now and 1986, Caterpillar plans to invest almost $5 billion on more new plants.

Suggest to Morgan, a 35-year veteran who climbed via sales, that his stockholders might be happier if CAT pampered profits by slowing expansion, and he almost recoils in horror. The biggest sin in Peoria is for a plant to be unable to meet an order and place customers on allocation. In Morgan's book scarcities are more to be avoided than the inefficiencies inherent in any crash spending program. Scrambling for materials and work hours, says Morgan, results only in lower quality standards and higher costs.

Instead, Caterpillar patiently adds plants. Its aim is always to have slightly more than enough capacity to meet demand peaks. Better to shave margins at times like the present when demand is soft than to risk losing customers because shipments are late or because its products are poorly made. Morgan has Caterpillar running to a strategic plan that will soon be updated to 1995. Its basic aim: CAT must keep growing at 6% annually in real terms, as it has done for the past 30 years.

Clearly this is no easy task. Few of the 140-odd countries where CAT does business can expect their economies to expand that rapidly. Moreover, growth inevitably gets tougher as you get bigger; Caterpillar already holds 58% of the U.S. market for construction equipment. Worse, the interstate highway system is largely in place.

Mention that to Morgan and he gives a thin smile. Nowadays, Caterpillar gets only about 15% of its domestic sales from highway construction jobs. Far more orders come from building machines to lay pipelines, to excavate mines and to build sewers. "One reason we've had such little pain and strain," says Morgan, "is because all we had to do was change the marketing emphasis."

What Morgan means is that Caterpillar has considerable control over its own destiny. By ingeniously mixing components, for example, it expanded from scrapers and loaders to hydraulic excavators. By constant adaptation, its engineers created some 120 different machines serving almost as many markets. Product diversity is just as important as geographic diversity.

Its diesel engines, for example, once limited to earth-moving vehicles, now power boats and on-highway trucks and are even used as backup generators for hospitals and power plants. Since 1977, engine sales to outside customers almost doubled, to $1.4 billion. CAT now is breathing down the necks of both Cummins and General Motors' Detroit Diesel and is the nation's largest producer, counting units going into its own vehicles. Diesels now amount to 25% of the company's total business. To achieve Caterpillar's overall growth target, Morgan must crank engine sales even higher, however, moving out of the midsize

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President Joseph Fabick (right) *of John Fabick Tractor Co.*
A distribution network that's unmatched for speed and efficiency.

range that CAT dominates into larger and smaller units. Also, with an eye on offshore oil rigs, CAT must expand further into gas turbine engines, perhaps even buying International Harvester's Solar division, which is on the block.

Other new product possibilities: power shovels, cranes, concrete pavers, on-highway trucks—expect a bid from CAT if cash-strapped Ford sells its truck division—and big-wheeled tractors. Caterpillar already has some prototypes on test at its Arizona proving grounds and clearly wants to break into this end of farm machinery, where Deere is dominant.

Call it the happy coincidence of long-range planning, if you will. But CAT looks to be moving into newer markets and products more aggressively just when its competitors are in disarray or beating a retreat. WABCO, its neighbor on the Illinois River, has quit making motor graders and scrapers. Both Massey-Ferguson and General Motors have sold their construction equipment offshoots to a West German entrepreneur. And rumors continue to circulate that beleaguered International Harvester will also bow out to concentrate on farm machines.

Meanwhile CAT's hold on its markets only gets stronger. Look at it this way. Caterpillar's foreign sales alone are now more than the combined total sales of Japan's Komatsu and Tenneco's J.I. Case, its closest rivals. While in the U.S. in construction equipment, CAT outsells all of the next eight firms combined. By 1985, according to Merrill Lynch's Alexander Blanton, CAT could have $18 billion in sales and be earning over $18 a share, up from $5.50 or so this year.

What makes Caterpillar even more formidable is that it is really two companies. There's the Peoria-based, globe-girdling operation that makes and distributes the yellow machines. Then there's the equally important sales and service network. Worldwide, there are 230 independent Caterpillar dealers. Among them they employ some 90,000 salesmen and mechanics, gross about $14 billion annually and

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Philippine Airlines' Executive Class. Where you have a section all to yourself in front of Economy and just behind First Class.

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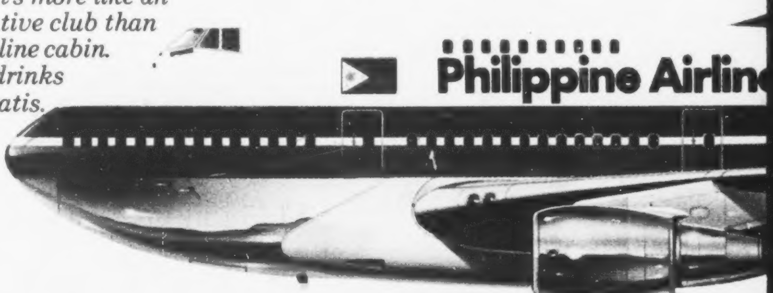

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boast a combined net worth that probably exceeds Caterpillar's own $3.4 billion.

How do you become a CAT dealer? Stand in line and bring plenty of money is the standard reply. The average tenure is 35 years, and since many U.S. dealerships pass from father to son, only a couple or so come onto the market each year. To qualify, a new dealer needs $15 million in unencumbered equity and a seasoned business record. The average dealer grosses $60 million, but some do around $230 million annually. In the U.S. only New York's Syracuse Supply Co. is publicly traded. General Electric owns CAT dealerships in Colombia and Venezuela, while Unilever operates several in Africa. In Yugoslavia, a workers' council holds the franchise. In one of communism's curious anomalies, it can make profits but not keep inventories.

"CATs are wealth-producing machines and our job is to make sure they stay on line and keep working." That's President Joseph Fabick of St. Louis' John Fabick Tractor Co. His franchise spans some 73 Missouri and Illinois counties and has been in the family over 60 years. Sales are close to $200 million. He keeps two helicopters, a ten-seat turbo jet plane, two luxury coaches and over 100 radio-dispatched service vehicles constantly patrolling his turf.

Fabick's specialty is pipe-laying gear, much of which he buys from Caterpillar and custom builds to suit a customer's needs. His computer keeps an updated list of equipment in use in his service territory. In turn, it is linked with every other CAT dealer and with Caterpillar's distribution center in Peoria. One result: Caterpillar and its dealers meet 97% of their emergency parts orders within 24 hours and do not charge customers for some orders that take longer than 48 hours to ship. Lee Morgan calls this "the most responsive distribution system of its kind in the world."

> ***"I saw my competitors cutting back and said to hell with that," says Fabick, who boosted his sales force by 20% during the current recession.***

Despite such lavish capabilities, Caterpillar is conservatively financed. It has only 27 cents of long-term debt for each $1 of equity, and the Peoria corporation would have been hard pressed to grow so fast without its independent dealers. They sometimes find it easier even than Caterpillar to raise new funds. "I saw my competitors cutting back and said to hell with that," says Fabick, who boosted his sales force by 20% during the current recession. In contrast, some competitors, particularly the less well-heeled, have been shutting their doors as business falls off. All told, CAT dealers spent nearly $200 million last year to expand.

Troubles? Even Caterpillar has its share. To fund those new plants, Morgan must soon offer $300 million in debentures, after failing to borrow in 1980 when interest rates spurted. He must strain the loyalty of his UAW workers to the limit by insisting on more automation—only 35 robots so far installed. Abroad, Morgan worries about tariff barriers, particularly as the dollar strengthens. Even though over half of CAT's business comes from overseas, only a fifth of its machines are built there.

Then there's the question of selling to the Soviet Union. The Russians want an estimated $800 million worth of CAT equipment to build a natural gas pipeline to Western Europe, and Washington must approve the deal. If Morgan doesn't bag that order, the Japanese probably will.

Fortunately, however, CAT has such broad diversity—in terms of products and geography—that none of these challenges is a fundamental threat. Caterpillar earned enviable status through a simple, straightforward strategy of ignoring short-term swings and catching long-term moves. For the moment, that's a winning combination on Wall Street. But Lee Morgan takes it all in stride. He would rather play Peoria. ■

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On three of four counts, the numbers reported by the companies on this year's 500 lists clearly showed the stress big U.S. business is under. But that fourth measure—market value—has never looked better.

500's
SALES
ASSETS
PROFITS
MARKET VALUE

FOR A FAST FIX on what major U.S. companies have been going through lately, consider these numbers tracking the top 500 companies in sales, profits, assets and market value in 1980 as compared with 1979:

	1980	1979
Sales	+15.0%	+18.8%
Profits	+ 7.7	+22.6
Assets	+11.6	+13.8
Market Value	+31.6	+15.9

In every way but in stock market action there was considerable cause for anxiety.

A sales gain of 15% would normally be nothing to complain about, but it is scarcely reassuring when the most common measure of inflation, the CPI, was running at 12.4% last year. Poor as the sales growth was, the growth in profits of the top 500 in that category was even less satisfactory. Indeed, profits rose a little more than half as much as sales. Compounding care was the fact that the profit growth failed to match the growth in assets. Consider the inflation factor infecting all this, and the results of 1980 prompt thoughts of treadmills.

Despite these concerns, of course, in 1980 the top 500 U.S. companies ranked by their stock market value recorded their largest year-to-year percentage gain since FORBES introduced its "500" rosters in 1969. Not even the inflation factor could dull the luster of that performance. It's true that oil stocks, which were an important part of the market's strength all through last year, have been taking some hard knocks lately. The Standard & Poor's oil composite index, for example, has fallen 18% in just the past three months. But despite that, and despite continuing high interest rates, continuing troubles in the auto business and other known depressants, the stock market has continued to behave as if stress were the law of life in business. Last month the Wilshire 5000 Equity Index, the broadest measure of the stock market, was a bit higher than it was as 1981 began. It's worth noting, too, that the strongest gain made by the Market Value 500 prior to 1980 was in 1975, at the end of a recession, when the group gained 25%.

Stress *is* the law of life for the biggest of U.S. businesses. For confirmation, note the summaries beginning on page 258, in which all of the companies on the FORBES 500 lists—the total is 818—are brought together and their respective rankings noted on all four measures. The size of a company's assets, it is plain, is no guarantee of the size of a company's profits. Indeed, it is no guarantee of any profit at all.—**The Editors of FORBES.**

THE FORBES SALES 500

A $300 billion gain sounds like money, but factor out the effects of inflation and factor in the gains of the energy companies and the banks, and there is much less to it than meets the eye.

NOT IN YEARS HAS THERE BEEN SO little to cheer about in the sales results of the top 500 companies as there was in 1980. As a group the Sales 500 reported revenues of $2.2 trillion, a seemingly impressive enough 15% gain over the $1.9 trillion total for the preceding year. But factor out the effects of inflation (the CPI was up 12.4% last year) and factor in the formidable sales gains of the energy and energy-related companies and the revenue gains of most major banks because of high interest rates, and in real terms the sales gain for the rest of the 500 as a group vanishes.

Rank 1980	Rank 1979	Company	Sales ($000,000)	% change over 1979
1	1	**Exxon**	103,143	30.4
2	4	**Mobil**	59,510	33.1
3	2	**General Motors**	57,729	−13.0
4	6	**Texaco**	51,196	33.5
5	3	**American Tel & Tel**	50,791	11.9

One huge drag on sales results, of course, was the auto industry. Thus, not only were sales of General Motors, Ford, Chrysler and American Motors off, but also those of major parts suppliers like Eaton, Borg-Warner and Dana, of steel companies like U.S. Steel, Bethlehem, National and Inland, and of tire companies like Firestone, Uniroyal and General. All told, 47 of the top 500 companies—nearly 10% of the list—showed declines in revenues last year (vs. just 13 in 1979).

Not every decline in sales, it should be noted, is necessarily a portent of worse to come. The largest decline among the 500 was shown by Esmark, which, having shed some energy interests as part of a major restructuring and having begun to get out of the fresh meat business, reported revenues down 57% last year. On the news, in mid-1980, that the company was taking decisive action, the stock soared and is now trading at around 68 (vs. a 1980 low of 24⅞).

The fortunes of the energy companies last year, again, contrasted sharply with most others. Against the 15% gain for the Sales 500 as a group, the 7 largest oil companies—which comprise 7 of the 15 largest companies of the Sales roster—showed average revenue gains of 33%.

The banks, too, showed extraordinary gains. All told, the ten largest banks on the Sales list reported gains averaging 32%, very nearly matching those of the top oil companies.

There are 33 companies new to the Sales roster. The companies that fell off the list include such familiars as Kaiser Steel, Certain-teed and Genesco. Last year, when the 500th company had sales of $904 million we prophesied that it would take $1 billion in sales to make the 1980 list. We were wrong: The 500th company this year, Square D, had sales of $999 million.

THE FORBES SALES 500

Rank 1980	Rank 1979	Company	Sales ($000,000)	% change over 1979
6	7	**Standard Oil Calif**	40,479	35.2
7	5	**Ford Motor**	37,086	-14.8
8	14	**Engelhard Minerals**	26,570	47.0
9	8	**Gulf Oil**	26,483	10.8
10	10	**IBM**	26,213	14.7
11	13	**Standard Oil Ind**	26,133	40.4
12	9	**Sears Roebuck**	25,124	2.4
13	11	**General Electric**	24,959	11.1
14	12	**Intl Tel & Tel**	23,819	8.3
15	15	**Atlantic Richfield**	23,744	46.3
16	16	**Shell Oil**	19,830	37.4
17	20	**Conoco**	18,301	44.7
18	17	**Safeway Stores**	15,103	10.1
19	26	**Citicorp**	14,211	30.3
20	19	**K mart**	14,204	10.5
21	21	**E I du Pont**	13,652	8.6
22	30	**Phillips Petroleum**	13,377	40.8
23	23	**Aetna Life & Cas**	13,318	16.3
24	25	**Tenneco**	13,226	18.0
25	27	**Sun Company**	12,945	21.4
26	18	**United States Steel**	12,492	-3.4
27	29	**Occidental Petroleum**	12,476	30.6
28	35	**United Technologies**	12,324	36.1
29	31	**BankAmerica**	12,075	27.8
30	24	**J C Penney**	11,353	0.7
31	42	**Standard Oil Ohio**	11,023	39.3
32	32	**Procter & Gamble**	10,772	15.5
33	33	**Dow Chemical**	10,626	14.8
34	36	**Kroger**	10,317	14.3
35	82	**Getty Oil**	10,130	110.1
36	34	**Union Carbide**	9,994	8.9
37	46	**Union Oil California**	9,984	31.9
38	28	**General Tel & Elec**	9,979	0.2
39	40	**Eastman Kodak**	9,734	21.3
40	39	**Boeing**	9,426	15.9
41	■	**Dart & Kraft**	9,412	6.7
42	22	**Chrysler**	9,225	-23.1
43	43	**Travelers**	8,790	11.4
44	45	**Caterpillar Tractor**	8,598	12.9
45	49	**Westinghouse Elec**	8,514	16.1
46	51	**R J Reynolds Inds**	8,449	18.4
47	38	**Goodyear**	8,444	2.5
48	44	**Halliburton**	8,327	7.2
49	47	**Beatrice Foods**	8,291	11.0
50	52	**Xerox**	8,197	16.6
51	57	**Marathon Oil**	8,180	22.4
52	58	**Ashland Oil**	8,118	25.4
53	48	**RCA**	8,011	7.5
54	41	**LTV**	8,010	0.2
55	64	**Chase Manhattan**	8,003	31.6
56	54	**Amerada Hess**	7,869	16.2
57	60	**Cities Service**	7,786	24.1
58	63	**Philip Morris**	7,328	19.3
59	53	**F W Woolworth**	7,218	6.4
60	62	**Rockwell Intl**	6,907	11.8
61	50	**Bethlehem Steel**	6,743	-5.5
62	56	**Great Atl & Pac Tea**	6,684	10.5
63	61	**Monsanto**	6,574	6.2
64	65	**Lucky Stores**	6,469	11.2
65	119	**American Stores**	6,420	69.6
66	37	**Intl Harvester**	6,312	-24.8
67	66	**Federated Dept Stores**	6,301	8.5
68	69	**Household Finance**	6,182	16.4
69	73	**W R Grace**	6,101	15.8
70	68	**Minn Mining & Mfg**	6,080	11.7
71	72	**McDonnell Douglas**	6,066	14.9
72	75	**PepsiCo**	5,975	17.4
73	67	**General Foods**	5,960	8.9
74	79	**Coca-Cola**	5,913	19.2
75	78	**Armco**	5,678	12.8
76	95	**Continental Group**	5,657	15.1
77	97	**Allied Corp**	5,519	27.4
78	86	**American Express**	5,504	17.9
79	80	**Deere**	5,470	10.9
80	110	**Lockheed**	5,396	33.0
81	81	**Winn-Dixie Stores**	5,389	9.3
82	77	**City Investing**	5,386	6.9
83	84	**Consolidated Foods**	5,343	13.2
84	70	**Gulf & Western Inds**	5,338	0.9
85	76	**Connecticut General**	5,279	3.7
86	94	**Pacific Gas & Elec**	5,259	20.3
87	89	**INA**	5,255	15.5
88	116	**Mfrs Hanover**	5,189	34.9
89	129	**J P Morgan**	5,173	42.4
90	83	**Alcoa**	5,148	7.6
91	92	**Colgate-Palmolive**	5,130	14.2
92	100	**Coastal Corp**	5,115	19.3
93	104	**Fedl Natl Mortgage**	5,081	20.6
94	90	**International Paper**	5,043	11.2
95	117	**UAL**	5,041	31.6
96	96	**Trans World**	5,018	15.8
97	74	**Georgia-Pacific**	5,016	-3.7
98	125	**Raytheon**	5,002	34.2
99	88	**TRW**	4,984	9.3
100	106	**Honeywell**	4,925	17.0
101	87	**Ralston Purina**	4,886	6.2
102	131	**Schlumberger**	4,884	37.6
103	71	**Firestone**	4,851	-8.2
104	■	**CSX**	4,841	20.2
105	105	**Johnson & Johnson**	4,837	14.9
106	112	**Union Pacific**	4,832	21.1
107	132	**Fluor**	4,826	36.2
108	91	**American Can**	4,812	6.6
109	107	**Sperry**	4,785	14.5
110	85	**Greyhound**	4,766	1.4
111	115	**Southland**	4,759	23.4
112	109	**General Dynamics**	4,743	16.8
113	140	**Continental Illinois**	4,716	39.7
114	103	**Iowa Beef Processors**	4,639	10.0
115	98	**Borden**	4,596	6.6
116	93	**Weyerhaeuser**	4,536	2.6
117	101	**Charter**	4,518	6.3
118	111	**Transamerica**	4,384	8.4
119	99	**Signal Companies**	4,336	1.0
120	146	**Chemical New York**	4,300	30.6
121	120	**American Brands**	4,277	13.4
122	165	**Texas Eastern**	4,273	45.1
123	121	**Jewel Companies**	4,268	13.4
124	108	**Litton Industries**	4,247	3.9
125	118	**Loews**	4,238	10.6
126	134	**Super Valu Stores**	4,204	21.0
127	123	**General Mills**	4,170	11.4
128	124	**IC Industries**	4,142	10.9
129	157	**Utd Energy Resources**	4,135	32.0
130	126	**CPC International**	4,120	11.4
131	151	**Texas Instruments**	4,075	26.4
132	139	**Dayton-Hudson**	4,034	19.2
133	136	**Dresser Industries**	4,016	16.2
134	206	**Pan Am World Airways**	4,016	61.6
135	127	**CBS**	3,963	8.0
136	149	**Burlington Northern**	3,954	21.6
137	142	**Consolidated Edison**	3,947	18.4
138	130	**Teledyne**	3,920	9.3
139	133	**Owens-Illinois**	3,906	10.7
140	114	**Bendix**	3,862	0.1
141	148	**American Airlines**	3,821	17.5
142	150	**Control Data**	3,809	17.2
143	137	**American Home Prod**	3,799	11.7
144	158	**Southern Company**	3,763	20.3
145	135	**United Brands**	3,763	8.4
146	113	**Republic Steel**	3,760	-5.7
147	172	**American Elec Power**	3,756	33.5
148	122	**Champion Intl**	3,753	0.0
149	102	**National Steel**	3,707	-12.5
150	180	**Bankers Trust N Y**	3,693	35.4
151	143	**Foremost-McKesson**	3,662	10.5
152	198	**So Calif Edison**	3,661	42.8
153	145	**Reynolds Metals**	3,653	10.5
154	170	**Columbia Gas Sys**	3,637	27.5
155	161	**El Paso**	3,543	14.7
156	223	**Tesoro Petroleum**	3,528	48.9
157	144	**FMC**	3,482	5.3
158	152	**Warner-Lambert**	3,479	8.1
159	186	**Kerr-McGee**	3,478	29.6
160	154	**American Cyanamid**	3,454	8.4
161	168	**Eastern Air Lines**	3,453	19.8
162	147	**Continental Corp**	3,419	5.1
163	189	**First Chicago**	3,415	29.1
164	138	**Textron**	3,377	-0.5
165	155	**Celanese**	3,348	6.4
166	243	**Pacific Lighting**	3,328	51.3
167	181	**Commonwlth Edison**	3,324	22.2
168	162	**NCR**	3,322	10.6
169	185	**Western Bancorp**	3,296	22.6
170	175	**Anheuser-Busch Cos**	3,295	18.7

■ Not on 500 list in 1979

THE FORBES SALES 500

Rank 1980	Rank 1979	Company	Sales ($000,000)	% change over 1979
171	156	McDermott	3,283	4.4
172	128	Inland Steel	3,256	-10.4
173	171	Carnation	3,236	14.5
174	166	Kaiser Alum & Chem	3,222	10.1
175	199	Santa Fe Industries	3,215	25.8
176	141	Eaton	3,176	-5.5
177	164	May Dept Stores	3,173	6.6
178	160	PPG Industries	3,158	2.2
179	178	Bristol-Myers	3,158	14.7
180	177	Combustion Engnrng	3,146	14.1
181	226	Diamond Shamrock	3,143	33.4
182	212	Security Pacific	3,117	27.8
183	225	Hewlett-Packard	3,099	31.3
184	183	Motorola	3,099	14.2
185	163	B F Goodrich	3,080	3.1
186	192	Emerson Electric	3,067	17.3
187	173	Crown Zellerbach	3,067	9.4
188	188	Albertson's	3,039	13.7
189	202	Amer Natl Resources	3,039	21.3
190	204	InterNorth	3,038	21.5
191	245	Pillsbury	3,032	40.0
192	179	Pfizer	3,029	10.3
193	254	Merrill Lynch	3,022	47.3
194	167	Boise Cascade	3,019	3.5
195	193	Standard Brands	3,018	15.5
196	211	Peoples Energy	3,016	23.5
197	216	Pub Svc Elec & Gas	2,994	23.9
198	200	Ingersoll-Rand	2,971	16.9
199	184	Norton Simon	2,959	9.4
200	215	Delta Air Lines	2,957	21.8
201	169	AMAX	2,949	2.9
202	55	Esmark	2,925	-56.6
203	207	H J Heinz	2,925	18.4
204	187	Burlington Inds	2,901	8.4
205	203	Time Inc	2,882	15.1
206	249	Wickes Companies	2,877	37.3
207	195	Northwest Industries	2,876	11.5
208	190	Southern Pacific	2,860	8.9
209	174	Burroughs	2,857	2.6
210	248	Levi Strauss	2,841	35.1
211	201	Fleming Companies	2,817	12.3
212	265	ARA Services	2,806	40.1
213	231	Archer Danls Midland	2,802	21.9
214	194	Singer	2,787	7.3
215	220	Merck	2,734	14.7
216	205	St Regis Paper	2,714	8.6
217	228	American Intl Group	2,709	16.4
218	197	Mead	2,707	5.4
219	240	ENSERCH	2,695	20.4
220	210	Lincoln National	2,693	10.1
221	214	American Standard	2,674	10.0
222	182	Borg-Warner	2,673	-1.6
223	217	North Amer Philips	2,658	10.4
224	218	Carter Hawley Hale	2,633	9.3
225	222	Supermarkets General	2,629	10.8
226	330	Transco Companies	2,628	72.0
227	250	Martin Marietta	2,619	27.1
228	241	Kimberly-Clark	2,600	17.2
229	221	Avon Products	2,569	8.1
230	229	Beneficial Corp	2,569	11.0
231	224	Nabisco	2,569	8.7
232	236	Campbell Soup	2,561	13.9
233	242	Eli Lilly	2,559	16.0
234	159	American Motors	2,553	-18.1
235	262	Wells Fargo	2,545	26.2
236	233	Kidde	2,539	11.2
237	176	Dana	2,524	-8.6
238	256	Consol Natural Gas	2,503	22.3
239	227	Hercules	2,485	6.0
240	255	Pennzoil	2,483	21.0
241	269	Panhandle Eastern	2,472	25.6
242	270	Quaker Oats	2,405	22.3
243	274	Tosco	2,387	24.2
244	251	R H Macy	2,374	15.3
245	260	Interco	2,368	17.0
246	289	Digital Equipment	2,368	31.3
247	282	Houston Industries	2,367	27.7
248	290	Houston Natural Gas	2,358	31.2
249	271	Florida Power & Lt	2,347	21.4
250	287	Middle South Utils	2,342	28.5
251	257	Amer Hospital Supply	2,340	14.7
252	315	First Natl Boston	2,333	42.5
253	261	Melville	2,332	15.3
254	266	Gillette	2,315	16.7
255	264	Consumers Power	2,304	15.0
256	196	Uniroyal	2,299	-10.7
257	239	Allied Stores	2,299	2.6
258	278	American General	2,292	21.5
259	237	Owens-Corning Fbrgls	2,285	1.8
260	234	Johns-Manville	2,267	-0.7
261	371	McGraw-Edison	2,264	70.1
262	258	Amer Broadcasting	2,256	11.2
263	213	Kennecott	2,256	-7.3
264	247	U S Fidelity & Gty	2,253	5.5
265	235	Whirlpool	2,243	-0.8
266	191	IU International	2,239	-14.5
267	267	Missouri Pacific	2,237	12.9
268	275	Alco Standard	2,234	16.5
269	308	Texas Gas Transmn	2,230	32.2
270	232	Genl Tire & Rubber	2,215	-3.5
271	259	Gould	2,205	8.7
272	304	Revlon	2,203	28.2
273	238	Ogden	2,187	-2.4
274	276	McDonald's	2,184	14.3
275	298	Texas Utilities	2,175	23.8
276	246	Colt Industries	2,166	1.2
277	284	Kellogg	2,152	16.5
278	272	Avco	2,150	11.3
279	321	Phila Electric	2,123	34.5
280	305	Va Electric & Power	2,120	24.5
281	288	NL Industries	2,118	17.0
282	319	American Petrofina	2,098	32.2
283	277	Scott Paper	2,083	9.2
284	208	Fruehauf	2,082	-15.1
285	291	Dillon Companies	2,077	15.9
286	283	Williams Companies	2,073	12.0
287	268	Allis-Chalmers	2,064	4.6
288	312	Warner Commun	2,059	25.0
289	280	Stop & Shop	2,059	9.6
290	263	White Consolidated	2,057	2.3
291	313	Pittston	2,052	24.5
292	309	Abbott Laboratories	2,038	21.1
293	427	Penn Central	2,014	85.2
294	322	Crocker National	2,006	27.2
295	325	Murphy Oil	1,967	25.4
296	273	Jim Walter	1,967	1.8
297	293	Associated Dry Goods	1,952	9.5
298	300	Crum & Forster	1,932	10.7
299	286	Koppers	1,929	5.5
300	307	Amfac	1,922	13.8
301	285	J P Stevens	1,916	4.5
302	292	United Telecom	1,912	6.7
303	299	SCM	1,892	7.9
304	294	St Paul Companies	1,868	4.8
305	354	Marine Midland Bks	1,859	31.6
306	314	Times Mirror	1,857	13.4
307	316	Malone & Hyde	1,854	14.8
308	295	Olin	1,853	4.2
309	358	Cooper Industries	1,842	32.1
310	338	General Public Utils	1,832	22.9
311	302	ASARCO	1,817	5.4
312	306	Detroit Edison	1,813	6.7
313	323	Emhart	1,803	14.6
314	342	Intl Minerals & Chem	1,790	21.4
315	345	Turner Construction	1,789	23.0
316	333	Niagara Mohawk Pwr	1,777	17.2
317	357	Oscar Mayer	1,774	27.0
318	363	SmithKline	1,772	31.1
319	■	MAPCO	1,770	106.3
320	334	Upjohn	1,768	16.8
321	348	So Natural Resources	1,744	20.6
322	209	Central Soya	1,744	4.0
323	360	Morrison-Knudsen	1,744	27.7
324	310	Ethyl	1,741	5.0
325	326	NICOR	1,740	11.4
326	377	Irving Bank	1,740	33.4
327	351	Schering-Plough	1,740	21.4
328	317	Castle & Cooke	1,734	8.8
329	355	Central & South West	1,731	22.9
330	341	Grumman	1,729	17.2
331	318	Rohm & Haas	1,725	8.5
332	335	Marriott	1,719	13.8
333	298	National Distillers	1,710	-3.6
334	380	Wal-Mart Stores	1,705	31.7
335	339	Anderson, Clayton	1,703	14.3

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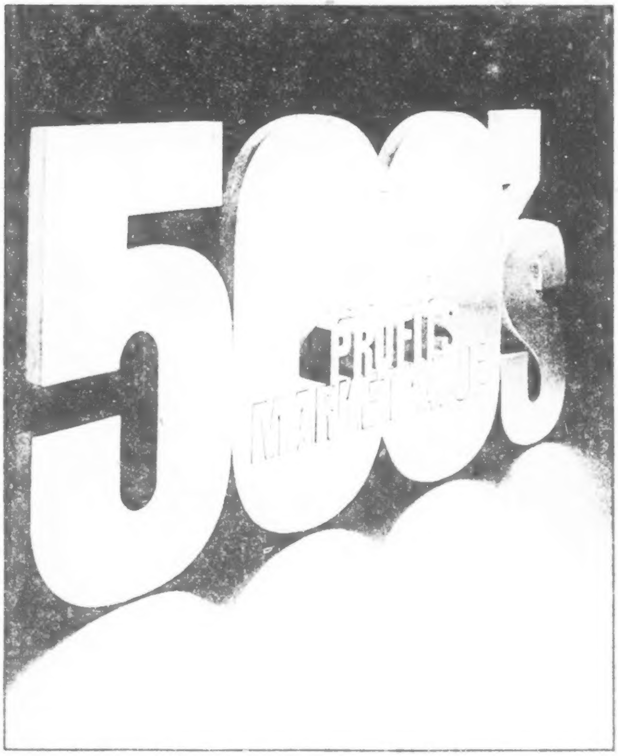
Rank 1980	Rank 1979	Company	Sales ($000,000)	% change over 1979
336	375	Valero Energy	1,702	28.8
337	336	Sterling Drug	1,701	13.4
338	331	Stauffer Chemical	1,695	11.1
339	344	Ryder System	1,694	16.5
340	337	Duke Power	1,683	12.7
341	346	Squibb	1,676	15.4
342	279	PACCAR	1,674	-11.1
343	297	Cummins Engine	1,667	-5.9
344	350	A E Staley Mfg	1,656	15.4
345	320	Northrop	1,655	4.6
346	303	Consol Freightways	1,654	-3.9
347	376	Northwest Airlines	1,639	25.1
348	343	Southern Railway	1,638	11.6
349	408	Clark Oil & Refining	1,623	40.3
350	411	Mellon National	1,595	38.9
351	328	Zayre	1,594	2.9
352	252	Fuqua Industries	1,590	-22.7
353	347	Norfolk & Western Ry	1,576	8.8
354	359	Union Camp	1,575	13.4
355	311	Foster Wheeler	1,563	-5.5
356	364	National Can	1,551	15.1
357	373	Jack Eckerd	1,548	16.8
358	405	Baker International	1,547	32.4
359	301	Clark Equipment	1,539	-11.4
360	349	AMF	1,534	6.7
361	421	Holiday Inns	1,534	37.8
362	366	Walgreen	1,531	13.8
363	352	Corning Glass Works	1,530	7.6
364	493	Tiger International	1,528	66.0
365	324	Crane	1,528	-2.9
366	367	General Signal	1,522	13.3
367	329	Chromalloy American	1,518	1.2
368	428	Superior Oil	1,498	38.0
369	388	Giant Food	1,483	19.4
370	412	Northwest Bancorp	1,478	29.0
371	332	United States Gypsum	1,474	-3.4
372	356	Crown Cork & Seal	1,460	4.1
373	387	Kemper	1,460	17.1
374	365	Braniff Intl	1,452	7.9
375	361	Polaroid	1,451	6.6
376	383	Phelps Dodge	1,440	12.9
377	399	Black & Decker	1,438	19.4
378	369	Genuine Parts	1,432	7.0
379	378	Heublein	1,430	9.7
380	414	Petrolane	1,425	24.6
381	340	Evans Products	1,423	-3.9
382	372	Lear Siegler	1,423	7.2
383	390	Air Prods & Chems	1,421	15.5
384	370	Fisher Foods	1,413	5.7
385	391	Westvaco	1,410	15.2
386	374	Sunbeam	1,406	6.3
387	362	MCA	1,404	3.7
388	419	Cabot	1,404	25.1
389	445	Blue Bell	1,398	35.8
390	433	Whittaker	1,396	30.0
391	392	Tandy	1,385	13.9
392	434	First Intl Bshs	1,383	29.1
393	404	Chesebrough-Pond's	1,380	17.3
394	403	Baxter Travenol Labs	1,374	15.4
395	407	Gt Northern Nekoosa	1,373	18.6
396	396	H F Ahmanson	1,371	13.2
397	401	No Indiana Pub Svc	1,367	14.2
398	422	First Natl Supermkts	1,365	22.8
399	409	Dillingham	1,362	17.9
400	385	Reliance Group	1,351	6.7
401	382	Timken	1,338	4.4
402	441	First Bank System	1,336	26.7
403	406	Hershey Foods	1,335	15.0
404	■	Sigmor	1,328	69.9
405	432	Northeast Utilities	1,325	23.3
406	420	Northwest Energy	1,323	18.2
407	368	Armstrong World Inds	1,323	1.4
408	353	George A Hormel	1,322	-6.5
409	394	Safeco	1,317	8.6
410	469	Natomas	1,316	36.0
411	464	Harris Corp	1,301	32.5
412	475	Wheelabrator-Frye	1,300	37.3
413	402	Chubb	1,292	8.1
414	439	Amstar	1,285	21.6
415	393	Commonwealth Oil	1,284	5.8
416	381	Diamond Intl	1,283	0.1
417	418	Norton	1,282	13.1
418	410	St Joe Minerals	1,279	11.4
419	444	Long Island Lighting	1,277	22.1
420	424	Waldbaum	1,272	15.2
421	417	Continental Tel	1,268	11.7
422	440	Crown Central Petrol	1,267	20.1
423	447	Avnet	1,267	23.2
424	400	Sherwin-Williams	1,264	5.6
425	415	Commercial Metals	1,262	10.5
426	■	Seatrain Lines	1,257	59.2
427	448	Pitney Bowes	1,257	22.7
428	474	Republic of Texas	1,246	31.1
429	453	West Point-Pepperell	1,246	23.0
430	438	Wetterau	1,239	17.0
431	■	Hospital Corp of Am	1,232	36.8
432	451	Baltimore Gas & Elec	1,226	20.9
433	413	Brown Group	1,221	6.6
434	443	National Tea	1,219	16.6
435	436	Gannett	1,215	14.1
436	■	Santa Fe Intl	1,209	131.2
437	■	Hughes Tool	1,206	49.9
438	386	Brunswick	1,200	-4.6
439	457	Sysco	1,198	19.6
440	379	Louisiana-Pacific	1,196	-8.2
441	416	GK Technologies	1,190	4.3
442	429	Pennwalt	1,189	10.1
443	■	Texas Oil & Gas	1,186	32.2
444	431	Zenith Radio	1,186	10.3
445	430	Hammermill Paper	1,183	9.9
446	473	Dun & Bradstreet	1,176	23.6
447	470	Witco Chemical	1,176	21.6
448	■	Alleghany	1,166	45.2
449	398	Libbey-Owens-Ford	1,160	-4.0
450	449	Allegheny Power	1,160	13.1
451	442	No States Power	1,159	10.6
452	490	Public Service Colo	1,156	24.7
453	452	AMP	1,155	14.0
454	425	Roadway Express	1,155	5.6
455	384	U S Industries	1,145	-10.2
456	■	E F Hutton Group	1,125	50.0
457	458	Food Fair	1,124	-24.4
458	489	Humana	1,117	20.5
459	461	Dravo	1,114	12.3
460	456	Campbell Taggart	1,113	10.5
461	472	R R Donnelley & Sons	1,111	16.0
462	435	Mercantile Stores	1,108	3.8
463	■	General Re	1,104	22.2
464	■	Bank of New York	1,102	39.4
465	465	Knight-Ridder News	1,099	12.1
466	488	Revco D S	1,093	17.8
467	■	Texasgulf	1,090	38.1
468	■	New England Electric	1,090	22.6
469	389	Wheeling-Pitts Steel	1,084	12.7
470	455	Rexnord	1,084	7.3
471	■	G D Searle	1,082	20.4
472	459	Ohio Edison	1,081	8.7
473	484	U S Home	1,081	15.6
474	477	Union Electric	1,078	13.8
475	491	Carolina Pwr & Lt	1,076	16.2
476	479	Harsco	1,063	12.5
477	468	Fed-Mart	1,062	8.9
478	■	First City Bancorp	1,061	31.1
479	494	Flickinger	1,061	15.3
480	■	Centex	1,057	21.6
481	423	Interlake	1,056	-4.4
482	454	Akzona	1,054	4.1
483	■	Louisiana Land	1,053	33.0
484	500	Zale	1,042	15.2
485	■	Seafirst	1,037	28.6
486	463	ACF Industries	1,029	4.7
487	■	Texas Commerce Bshs	1,029	30.1
488	■	NBD Bancorp	1,023	26.0
489	■	Parker-Hannifin	1,0[illegible]	20.8
490	471	Ex-Cell-O	1[illegible]1	6.1
491	■	Centl Louisiana Engy	1,013	42.6
492	■	Marshall Field	1,013	12.0
493	486	Intl Multifoods	1,012	8.7
494	■	Wisconsin Elec Pwr	1,007	16.1
495	■	Gulf States Utils	1,005	16.3
496	■	Eastern Gas & Fuel	1,003	16.6
497	498	Borman's	1,001	10.5
498	■	McGraw-Hill	1,000	13.7
499	482	Cessna Aircraft	1,000	6.5
500	■	Square D	999	20.9

■ Not on 500 list in 1979

There were some strong profit performances, and not just by the oils. For a good many others 1980 was a year to forget, with 125 of the top 500 actually showing profit declines.



THE COMPANIES MAKING the Profits 500 list for 1980 reported total earnings of $118.6 billion, up just 7.7% from the $110.2 billion reported for the Profits 500 in 1979. That's not only less than the inflation rate last year as measured by the CPI (12.4%), but less than the 9.9% rate as measured by the more sophisticated "implicit deflator" for personal consumption expenditures. The numbers tracking cash flow are a bit worse—a total of $226.5 billion for the Profits 500 last year, up only 7.1% from the $211.4 billion in 1979.

There were strong performances, to be sure—and not just from the oil companies, which accounted for eight of the ten most profitable U.S. companies last year, reporting profit gains that averaged 36.5%. Several banks (notably Irving Bank and Chemical New York) showed strong earnings gains, and a range of companies with strong consumer franchises, like Colgate-Palmolive and H.J. Heinz, also looked relatively good.

But 1980 was a year a good many companies were glad to put behind them, with 125 of the Profits 500 showing profit declines (*vs.* 53 in 1979). Among the harder-hit groups: retailers, insurance companies, forest products outfits and—what else?—companies whose prospects were tied to the auto business. Missing altogether from the Profits 500, of course, were two companies that had been accustomed to being right near the top—General Motors, which lost $763 million last year, and Ford, which lost $1.5 billion.

Rank 1980	Rank 1979	Company	Net profits ($000,000)	% change over 1979	Cash flow ($000,000)	Cash flow rank 1980
1	1	American Tel & Tel	6,079.7	7.1	15,367	1
2	2	Exxon	5,650.1	31.5	10,778	2
3	3	IBM	3,562.0	18.3	7,023	3
4	5	Mobil	2,813.0	40.1	4,823	4
5	6	Standard Oil Calif	2,400.8	34.5	3,972	5
6	7	Texaco	2,240.2	27.4	3,956	6
7	8	Standard Oil Ind	1,915.3	27.1	3,618	7
8	11	Standard Oil Ohio	1,811.2	52.7	2,591	13
9	13	Atlantic Richfield	1,651.4	41.6	3,247	9
10	14	Shell Oil	1,542.0	37.0	2,989	11
11	9	General Electric	1,514.0	7.5	2,339	14
12	10	Gulf Oil	1,407.0	6.4	2,955	12
13	15	Eastman Kodak	1,153.6	15.3	1,583	23
14	17	Phillips Petroleum	1,069.6	20.0	1,928	16
15	18	Conoco	1,026.2	25.9	1,832	17
16	22	Schlumberger	994.3	51.0	1,185	30
17	49	Intl Tel & Tel	895.6	134.2	3,142	10
18	25	Getty Oil	871.9	44.2	1,675	20
19	20	Dow Chemical	805.0	2.7	1,597	22
20	28	Tenneco	725.6	27.1	1,531	25

THE FORBES PROFITS 500

Rank 1980	Rank 1979	Company	Net profits ($000,000)	% change over 1979	Cash flow ($000,000)	Cash flow rank 1980
21	21	**Sun Company**	723.0	3.3	1,542	24
22	16	**E I du Pont**	716.0	-23.8	1,634	21
23	30	**Occidental Petroleum**	710.8	26.6	1,364	28
24	23	**Minn Mining & Mfg**	678.0	3.5	973	38
25	32	**Union Carbide**	672.7	20.9	1,211	29
26	33	**R J Reynolds Inds**	670.4	21.7	1,171	31
27	42	**Union Oil California**	647.0	29.2	1,415	27
28	26	**BankAmerica**	643.4	7.2	1,053	34
29	27	**Procter & Gamble**	642.8	11.3	883	43
30	29	**Xerox**	619.2	10.0	1,815	19
31	40	**Boeing**	600.5	18.8	910	42
32	38	**Philip Morris**	576.8	13.6	838	47
33	19	**Sears Roebuck**	566.0	-27.9	1,500	26
34	43	**Caterpillar Tractor**	564.8	14.9	955	40
35	39	**Amerada Hess**	540.2	6.5	1,047	35
36	57	**Engelhard Minerals**	532.7	52.3	622	67
37	44	**Pacific Gas & Elec**	524.8	14.5	615	69
38	31	**Aetna Life & Cas**	508.3	-9.2	3,393	8
39	51	**Halliburton**	500.3	32.6	737	54
40	34	**Citicorp**	499.0	-7.8	883	44
41	24	**General Tel & Elec**	477.9	-25.9	2,061	15
42	58	**Cities Service**	477.5	37.4	1,002	36
43	314	**Esmark**	471.8	410.5	689	57
44	54	**AMAX**	470.4	28.8	624	65
45	41	**Alcoa**	469.9	-6.9	736	55
46	■	**United States Steel**	458.9	D-P	997	37
47	46	**American Home Prod**	445.9	12.6	526	85
48	45	**Coca-Cola**	422.1	0.5	627	64
49	50	**Merck**	415.4	8.8	524	86
50	59	**American Brands**	405.5	16.7	463	95
51	48	**Union Pacific**	404.5	5.8	823	48
52	63	**Westinghouse Elec**	402.9	21.7	541	81
53	56	**Johnson & Johnson**	400.7	13.8	587	73
54	67	**United Technologies**	393.4	20.8	640	62
55	■	**Dart & Kraft**	383.1	6.5	561	77
56	73	**Commonwlth Edison**	382.0	28.8	692	56
57	74	**Marathon Oil**	379.0	28.4	801	49
58	62	**American Express**	376.0	8.9	1,155	33
59	47	**Travelers**	365.6	-5.7	1,824	18
60	72	**Chase Manhattan**	354.2	16.9	609	70
61	85	**American Elec Power**	348.4	33.7	750	53
62	110	**Southern Company**	344.4	37.2	930	41
63	65	**Eli Lilly**	342.0	3.8	421	113
64	75	**J P Morgan**	341.7	18.6	457	98
65	60	**Teledyne**	338.6	-2.3	296	178
66	68	**Consolidated Edison**	334.7	3.3	632	63
67	124	**Superior Oil**	334.6	67.0	686	58
68	37	**Weyerhaeuser**	321.5	-37.2	850	46
69	64	**So Calif Edison**	317.5	-8.1	398	121
70	81	**Connecticut General**	316.7	17.3	1,163	32
71	78	**RCA**	315.3	11.1	750	52
72	36	**International Paper**	314.0	-40.2	597	71
73	80	**Duke Power**	311.1	13.2	422	112
74	92	**Pennzoil**	308.5	29.3	618	68
75	96	**SmithKline**	308.0	31.7	358	148
76	104	**Santa Fe Industries**	301.8	32.5	536	83
77	113	**Texas Utilities**	297.8	41.1	549	78
78	82	**PepsiCo**	291.8	10.2	493	88
79	135	**Litton Industries**	290.8	54.0	465	93
80	84	**Beatrice Foods**	290.1	11.2	456	99
81	■	**Allied Corp**	289.0	2,569.3	594	72
82	210	**Texasgulf**	286.5	109.3	360	144
83	107	**W R Grace**	283.8	27.5	563	76
84	127	**Raytheon**	282.3	43.2	426	110
85	101	**American Intl Group**	282.2	21.9	678	59
86	■	**CSX**	281.6	11.6	545	79
87	91	**Honeywell**	280.9	17.0	524	87
88	83	**Rockwell Intl**	280.2	7.3	407	119
89	89	**INA**	278.6	13.9	880	45
90	119	**Federated Dept Stores**	277.7	36.7	383	133
91	106	**Sperry**	277.1	23.6	479	91
92	97	**Pub Svc Elec & Gas**	275.4	18.0	384	132
93	100	**Bristol-Myers**	270.6	16.9	327	161
94	120	**Hewlett-Packard**	269.0	32.5	389	129
95	109	**Armco**	265.3	20.0	439	107
96	103	**Dresser Industries**	261.1	14.5	396	122
97	55	**K mart**	260.5	-27.2	453	100
98	99	**General Foods**	255.8	10.2	330	158
99	105	**Gulf & Western Inds**	255.3	12.2	383	135
100	94	**Pfizer**	254.8	7.1	353	151
101	95	**NCR**	254.7	8.6	527	84
102	151	**Digital Equipment**	249.9	40.0	357	149
103	98	**Kaiser Alum & Chem**	247.6	6.6	280	197
104	66	**Georgia-Pacific**	244.0	-25.4	566	74
105	128	**Va Electric & Power**	241.6	23.0	392	125
106	87	**Avon Products**	241.5	-3.8	290	184
107	93	**Transamerica**	239.3	0.3	540	82
108	108	**Schering-Plough**	239.3	0.7	289	186
109	121	**Emerson Electric**	237.7	18.3	319	170
110	90	**J C Penney**	233.0	-4.5	384	131
111	126	**Norfolk & Western Ry**	232.4	17.0	326	162
112	112	**Mfrs Hanover**	228.5	8.0	354	150
113	102	**U S Fidelity & Gty**	228.5	-0.2	959	39
114	70	**Deere**	228.3	-26.5	389	128
115	131	**Phila Electric**	227.1	16.8	323	167
116	129	**Continental Illinois**	225.9	15.4	381	136
117	118	**Western Bancorp**	225.1	10.7	391	126
118	134	**Continental Group**	224.2	17.2	441	106
119	116	**Consumers Power**	223.8	9.8	306	175
120	133	**Levi Strauss**	223.7	16.8	267	215
121	156	**Burlington Northern**	222.9	26.9	394	123
122	143	**Loews**	222.0	22.0	675	60
123	136	**McDonald's**	220.9	17.1	377	138
124	144	**Texas Eastern**	219.8	21.7	420	111
125	86	**ASARCO**	216.5	-16.5	196	278
126	148	**Abbott Laboratories**	214.4	19.8	275	207
127	259	**Bankers Trust N Y**	213.8	88.0	324	165
128	158	**Texas Instruments**	212.2	22.7	470	92
129	130	**TRW**	211.9	8.9	409	117
130	138	**InterNorth**	211.7	14.1	415	115
131	111	**PPG Industries**	209.2	-4.4	359	147
132	271	**Natomas**	208.4	88.1	375	140
133	197	**Goodyear**	206.7	41.4	436	108
134	35	**Ashland Oil**	205.1	-61.0	361	143
135	173	**Long Island Lighting**	205.0	26.8	150	357
136	250	**Merrill Lynch**	203.3	71.3	246	232
137	152	**Diamond Shamrock**	201.2	13.0	410	116
138	115	**Florida Power & Lt**	198.3	-3.1	464	94
139	150	**CPC International**	197.4	10.5	281	196
140	149	**Newmont Mining**	197.4	10.4	232	246

■ Not on 500 list in 1979   D-P deficit to profit

THE FORBES PROFITS 500

Rank 1980	Rank 1979	Company	Net profits ($000,000)	% change over 1979	Cash flow ($000,000)	Cash flow rank 1980
141	205	**Houston Natural Gas**	196.7	41.9	292	180
142	142	**Middle South Utils**	195.9	7.6	92	459
143	139	**General Dynamics**	195.0	5.3	383	134
144	123	**CBS**	193.0	-3.9	263	219
145	239	**Warner-Lambert**	192.7	56.2	292	181
146	76	**Continental Corp**	192.5	-33.0	565	75
147	187	**Revlon**	192.4	26.0	248	230
148	227	**Kennecott**	192.4	47.5	324	164
149	169	**Bendix**	191.6	17.8	242	237
150	■	**Kaiser Steel**	191.5	294.9	176	307
151	155	**Detroit Edison**	188.6	7.1	331	157
152	153	**Martin Marietta**	188.1	5.7	322	168
153	182	**Motorola**	186.1	20.6	329	159
154	165	**Central & South West**	185.0	21.4	359	145
155	169	**Kellogg**	184.8	13.7	242	236
156	171	**Houston Industries**	184.0	13.7	391	127
157	194	**Panhandle Eastern**	183.7	24.1	442	104
158	176	**Kerr-McGee**	182.2	13.9	426	109
159	69	**Kimberly-Clark**	181.8	-42.2	294	179
160	168	**Security Pacific**	181.3	10.8	380	137
161	175	**Southern Railway**	180.9	12.6	319	171
162	154	**Reynolds Metals**	180.3	1.8	282	193
163	163	**Louisiana Land**	180.2	6.6	408	118
164	141	**Pa Power & Light**	179.8	-1.3	114	414
165	415	**IU International**	179.3	163.3	286	190
166	140	**United Telecom**	177.3	-3.0	549	80
167	215	**Chemical New York**	173.5	28.8	291	182
168	260	**Colgate-Palmolive**	173.2	52.6	271	212
169	198	**Anheuser-Busch Cos**	171.8	19.1	347	153
170	184	**Columbia Gas Sys**	170.8	11.4	393	124
171	179	**St Regis Paper**	170.5	7.6	280	198
172	191	**Upjohn**	170.4	14.0	227	251
173	195	**General Mills**	170.0	15.6	263	220
174	117	**Signal Companies**	167.7	-17.7	239	241
175	335	**NL Industries**	167.7	95.7	228	249
176	166	**American General**	167.4	1.1	758	51
177	145	**Missouri Pacific**	166.1	-7.8	269	213
178	266	**Utd Energy Resources**	165.5	48.1	279	203
179	190	**Union Camp**	165.1	9.2	279	201
180	88	**Champion Intl**	164.0	33.6	405	120
181	229	**Ralston Purina**	163.0	27.2	274	209
182	180	**Niagara Mohawk Pwr**	162.6	4.2	266	217
183	185	**Carolina Pwr & Lt**	161.4	5.3	324	166
184	193	**Crum & Forster**	161.3	8.1	365	142
185	146	**F W Woolworth**	160.9	-10.6	225	255
186	192	**Ingersoll-Rand**	160.3	7.3	247	231
187	164	**American Cyanamid**	159.2	-5.5	327	160
188	225	**American Standard**	156.9	18.7	240	239
189	177	**Lincoln National**	156.6	-1.8	779	50
190	147	**Southern Pacific**	155.9	-13.3	343	154
191	160	**Northwest Industries**	155.4	-9.8	268	214
192	207	**Carnation**	154.7	12.1	203	270
193	251	**Union Electric**	154.7	31.1	210	260
194	218	**General Re**	154.4	15.3	385	130
195	400	**Cabot**	152.7	116.8	164	327
196	216	**Gannett**	152.0	13.4	209	264
197	284	**Murphy Oil**	150.5	45.3	622	66
198	311	**ENSERCH**	150.2	60.2	286	189
199	220	**Owens-Illinois**	149.4	11.9	371	141
200	64	**Monsanto**	148.8	-55.1	668	61

Rank 1980	Rank 1979	Company	Net profits ($000,000)	% change over 1979	Cash flow ($000,000)	Cash flow rank 1980
201	217	**Borden**	147.9	10.3	277	205
202	288	**Freeport Minerals**	147.4	45.4	210	261
203	132	**Dayton-Hudson**	146.7	-23.6	215	259
204	265	**Cooper Industries**	146.7	31.2	194	282
205	178	**Amer Broadcasting**	146.3	-8.2	190	286
206	245	**Intl Minerals & Chem**	145.9	20.8	286	191
207	125	**McDonnell Douglas**	144.6	-27.4	252	228
208	242	**Arizona Public Serv**	143.3	17.9	174	309
209	274	**H J Heinz**	142.9	29.4	178	303
210	189	**FMC**	142.7	-5.9	300	176
211	199	**Time Inc**	141.2	-1.9	237	243
212	305	**Texas Oil & Gas**	141.1	45.1	324	163
213	249	**Control Data**	141.0	18.2	299	177
213	174	**Household Finance**	141.0	-12.5	458	97
215	277	**So Natural Resources**	139.5	26.8	282	195
216	233	**Baltimore Gas & Elec**	139.4	10.4	282	194
217	196	**Times Mirror**	139.2	-5.0	233	244
218	404	**Williams Companies**	138.7	99.7	287	187
219	293	**Baker International**	138.6	39.4	227	254
220	203	**Peoples Energy**	137.6	-2.0	34	155
221	122	**Warner Commun**	137.1	-31.7	18	287
222	212	**Stauffer Chemical**	136.6	0.5	279	200
223	157	**Boise Cascade**	136.3	-22.1	237	242
224	258	**Walt Disney**	135.2	18.8	186	290
225	214	**Ohio Edison**	135.2	0.3	173	310
226	222	**Campbell Soup**	134.6	1.4	210	262
227	262	**Pacific Pwr & Lt**	133.9	19.0	264	218
228	209	**Scott Paper**	133.5	-2.6	240	238
229	221	**NLT**	132.9	-41.3	290	185
230	337	**Hughes Tool**	132.2	56.3	204	268
231	296	**Fluor**	131.9	33.7	255	224
232	243	**AMP**	131.3	8.2	188	289
233	202	**Mead**	128.6	-8.8	172	311
234	264	**Baxter Travenol Labs**	128.4	14.7	182	294
235	188	**LTV**	127.9	-15.9	252	226
236	292	**Nabisco**	127.8	28.1	181	297
237	268	**Consolidated Foods**	127.7	14.6	287	188
238	236	**Squibb**	127.4	3.0	158	340
239	181	**Borg-Warner**	126.1	-19.0	160	335
240	261	**Cleveland Elec Illum**	125.4	10.4	181	296
241	204	**MCA**	125.4	-9.8	307	174
242	235	**Norton Simon**	124.7	0.4	180	299
243	278	**Interco**	124.3	16.5	160	336
244	273	**Gillette**	124.0	12.1	205	267
245	267	**Sterling Drug**	123.3	10.5	159	339
246	256	**Continental Tel**	122.9	7.6	375	139
247	241	**Public Service Ind**	122.7	-0.3	226	253
248	391	**MAPCO**	122.3	69.5	208	265
249	275	**Amer Hospital Supply**	122.2	11.7	203	271
250	201	**Celanese**	122.0	-13.3	320	169
251	238	**Wells Fargo**	121.9	-1.3	243	234
252	79	**Bethlehem Steel**	121.0	-56.1	444	103
253	281	**IC Industries**	120.7	13.5	279	199
254	405	**Transco Companies**	120.3	75.3	449	101
255	200	**Safeway Stores**	119.4	-16.7	335	156
256	228	**Consol Natural Gas**	118.5	-7.7	278	204
257	240	**Greyhound**	118.3	-3.8	170	316
258	252	**Amer Natl Resources**	118.2	0.2	462	96
259	300	**First Intl Bshs**	118.0	20.5	164	328
260	341	**Gulf States Utils**	117.2	39.2	186	291

■ Not on 500 list in 1979.

THE FORBES PROFITS 500

Rank 1980	Rank 1979	Company	Net profits ($000,000)	% change over 1979	Cash flow ($000,000)	Cash flow rank 1980
261	369	St Joe Minerals	117.1	30.9	230	247
262	257	May Dept Stores	116.9	2.5	275	208
263	302	Combustion Engnrng	116.7	19.5	195	281
264	477	Archer Danls Midland	116.0	105.5	167	318
265	183	Eaton	115.8	-24.9	221	257
266	303	Air Prods & Chems	115.5	18.4	277	206
267	234	Corning Glass Works	114.7	-8.2	149	360
268	289	Melville	114.7	13.4	169	317
269	159	Hercules	114.0	-33.9	252	227
270	315	Illinois Power	113.6	24.3	165	323
271	279	Northwest Bancorp	113.5	6.4	166	321
272	306	Mellon National	112.5	16.7	164	330
273	346	Tandy	112.2	34.9	131	386
274	230	Avco	112.2	-7.6	245	235
275	287	First Bank System	112.0	10.1	165	325
276	317	Lubrizol	111.5	22.8	144	370
277	246	No States Power	111.3	-7.8	279	202
278	186	St Paul Companies	110.4	-27.8	480	90
279	291	Coastal Corp	109.5	9.0	291	183
280	480	Holiday Inns	108.3	93.7	194	283
281	208	Safeco	107.4	-22.0	109	425
282	298	Pacific Lighting	107.0	9.2	180	300
283	286	Farmers Group	106.9	5.1	172	312
284	387	Utah Power & Light	106.6	46.8	202	273
285	294	Hilton Hotels	106.1	6.9	132	384
286	301	Chubb	105.4	7.9	166	320
287	343	Pillsbury	104.7	25.4	182	293
288	224	City Investing	104.5	-21.2	446	102
289	332	Standard Brands	104.4	20.9	180	301
290	347	American Petrofina	104.3	25.4	177	304
291	344	General Signal	104.2	25.2	135	381
292	339	Potomac Elec Power	104.1	23.4	250	229
293	456	Tesoro Petroleum	104.0	75.4	131	388
294	355	Allegheny Power	103.7	26.8	201	275
295	213	National Distillers	103.3	-23.9	158	343
296	377	R H Macy	103.0	34.8	150	358
297	323	Dun & Bradstreet	102.7	15.7	139	373
298	340	First Natl Boston	102.1	21.3	166	322
299	270	Whirlpool	101.7	-8.3	137	377
300	446	Homestake Mining	101.6	65.5	93	456
301	353	Texas Commerce Bshs	101.5	23.2	148	361
302	329	NICOR	101.4	16.0	239	240
303	445	Mitchell Enrgy & Dev	100.8	64.1	230	248
304	354	Marsh & McLennan	100.7	22.5	103	435
305	350	Chesebrough-Pond's	100.2	21.3	129	392
306	319	Gt Northern Nekoosa	98.1	9.7	192	285
307	269	Colt Industries	97.8	-12.2	156	345
308	219	Crown Zellerbach	97.4	-27.1	274	210
309	367	Intel	96.7	24.3	154	348
310	338	Quaker Oats	96.4	14.1	161	334
311	254	Crocker National	95.7	-18.1	204	269
312	167	Dana	95.7	-41.7	156	346
313	318	Combined Internatl	95.6	5.5	183	292
314	77	Mesa Petroleum	95.2	-66.7	220	258
315	364	Texas Gas Transmn	95.1	20.3	198	277
316	237	United States Gypsum	94.4	-23.6	147	365
317	334	Kroger	94.4	10.1	209	263
318	308	Rohm & Haas	93.7	-1.8	194	284
319	475	Penn Central	93.6	64.2	262	221
320	211	Delta Air Lines	93.2	-31.9	311	173
321	365	Duquesne Light	93.0	18.6	152	353
322	325	Knight-Ridder News	92.9	5.1	138	376
323	290	Beneficial Corp	92.8	-6.6	419	114
324	285	Timken	92.6	-9.3	165	326
325	348	Central Tel & Utils	92.5	11.4	253	225
326	309	Winn-Dixie Stores	92.0	-2.7	175	308
327	295	Jefferson-Pilot	91.9	-7.2	147	366
328	272	Phelps Dodge	91.3	-17.6	163	331
329	421	Pioneer	90.6	38.0	166	319
330	297	Lucky Stores	90.5	-7.8	158	341
331	310	Black & Decker	90.1	-4.6	159	337
332	333	Cincinnati G & E	90.0	4.9	119	405
333	304	Ethyl	89.7	-8.0	177	305
334	336	Capital Holding	89.5	5.5	203	272
335	406	First City Bancorp	89.0	30.0	137	378
336	359	Northeast Utilities	88.8	9.9	228	250
337	313	McDermott	88.4	-4.9	273	211
338	328	N Y State Elec & Gas	88.2	0.9	129	393
339	366	Westvaco	87.9	12.8	171	314
340	342	Kidde	87.4	3.9	125	397
341	390	Republic of Texas	86.9	20.0	119	406
342	361	Norton	86.7	8.1	131	387
343	437	Big Three Industries	86.6	37.8	153	349
344	374	McGraw-Hill	86.4	12.3	111	420
345	322	USLIFE	86.3	-3.2	284	192
346	■	Portland Genl Elec	86.2	86.9	158	342
347	320	Northrop	86.1	-4.7	98	442
347	162	Textron	86.1	-49.3	154	347
349	231	American Can	85.7	-32.7	242	235
350	■	Polaroid	85.4	136.3	148	363
351	326	G D Searle	85.3	-3.0	165	324
352	408	Irving Bank	85.3	24.9	145	368
353	372	Tektronix	85.1	10.3	117	409
354	481	Public Service Colo	85.0	52.4	162	332
355	321	Allied Stores	83.9	-6.9	130	389
356	232	National Steel	83.8	-33.8	105	429
357	345	Kemper	83.1	-0.1	488	89
358	388	Square D	83.1	14.5	110	422
359	■	E F Hutton Group	82.6	121.7	116	411
360	352	Wisconsin Elec Pwr	82.5	0.1	201	274
361	376	MGIC Investment	82.2	7.2	147	364
362	71	Burroughs	82.0	73.2	348	152
363	482	Centl Louisiana Engy	81.7	47.0	140	372
364	378	Burlington Inds	81.3	6.7	233	245
365	248	PACCAR	81.1	-32.5	84	472
366	485	Hospital Corp of Am	81.0	47.3	159	338
367	■	Santa Fe Intl	80.9	390.1	259	222
368	255	Johns-Manville	80.6	29.7	181	295
369	379	Pan Am World Airways	80.3	5.4	314	172
370	433	Harris Corp	79.7	26.3	152	352
371	420	Houston Oil & Min	79.6	21.2	257	223
372	490	Smith International	79.1	44.7	118	408
373	418	Overseas Shipholding	79.1	20.0	112	417
374	414	Sundstrand	78.9	17.7	134	382
375	114	Reliance Group	78.6	-62.3	196	279
376	422	Gulf United	78.5	20.6	181	298
377	462	Cameron Iron Works	78.3	34.0	112	416
378	363	Belco Petroleum	77.9	-1.5	153	351
379	399	So New England Tel	77.8	10.4	226	252
380	412	Southland	77.7	15.1	176	306

■ Not on 500 list in 1979

THE FORBES ASSETS 500

The 500 companies below had combined assets of over $3 trillion, and the smallest company on the list had over $1.5 billion. But it's not how much in assets you have, it's why—and what you do with them.

IF THERE IS ANY POINT the FORBES 500s make crystal clear, it is that a single measure of a company is not enough. Total assets of the 500 companies listed here, for example, came to $3,168,863,578,000, up 11.6% from 1979. Those $3 trillion-plus assets helped generate a 16.2% average increase in revenues for the same companies. Profits? A mere 4.3% average increase. Moral: It's not how much in assets you have, but what kind of return you get on them.

Rank 1980	Rank 1979	Company	Assets ($000,000)	% change over 1979
1	1	**American Tel & Tel**	125,451	10.3
2	3	**Citicorp**	114,920	8.0
3	2	**BankAmerica**	111,617	3.0
4	4	**Chase Manhattan**	76,190	17.7
5	5	**Fed Natl Mortgage**	58,470	14.0

Take the banks. They almost always dominate the assets list; all but two of the top ten are banks or financial institutions. But in assets growth, the banks are all over the lot, a reflection of their differing strategies—particularly their varying degrees of aggressiveness in money market investments.

A good example can be found in the two biggest banks of all. Citicorp passed BankAmerica in total assets to become not only the biggest bank in America but also the second-largest U.S. corporation. That was achieved on moderate growth of 8% (compared with 22% in 1979). Assets of Citibank's West Coast rival barely grew at all—just 3%—the result of a deliberate decision by BankAmerica to concentrate on earnings. The results in profits *(see p. 228)* reflected the strategy. BankAmerica earned $144 million *more* than Citicorp in 1980.

The biggest jumps in assets, however, were by acquisition-minded industrials. Wheelabrator-Frye, nearly tripling to $1.9 billion with the Pullman acquisition, made the Assets 500 list for the first time. Revlon, rapidly expanding into health care, grew by 53.7%. Shearson Loeb Rhoades nearly doubled, coming from nowhere to 364 on the list.

As for asset losses, some were due to forced divestitures, the pressures facing companies in troubled industries. El Paso, the big pipeline operator, had to write down $365 million on its Algerian LNG project.

But often asset losses were deliberate strategy decisions. IU International's assets dropped 37.9%—and off the list—as a result of swapping its Canadian Utilities holdings for 16.2 million of its own shares, which it retired. And Penn Central's assets shrank 49.4% following its $2.1 billion settlement with the U.S. government when it finally took off its books railroad assets transferred to Conrail in 1976—but its stockholders' equity more than doubled.

THE FORBES ASSETS 500

Rank 1980	Rank 1979	Company	Assets ($000,000)	% change over 1979
6	6	Exxon	56,577	14.3
7	7	Mfrs Hanover	55,522	16.5
8	8	J P Morgan	51,991	19.6
9	10	Continental Illinois	42,089	17.6
10	9	Chemical New York	41,342	5.0
11	13	Aetna Life & Cas	35,753	18.3
12	11	General Motors	34,455	7.6
13	12	Bankers Trust N Y	34,202	10.5
14	16	Mobil	32,705	18.9
15	15	Western Bancorp	32,110	8.2
16	14	First Chicago	28,699	-4.0
17	18	Intl Tel & Tel	28,378	8.4
18	17	Sears Roebuck	28,169	6.0
19	19	Security Pacific	27,794	11.3
20	20	IBM	26,703	8.9
21	22	Texaco	26,430	15.0
22	21	Ford Motor	24,355	3.5
23	23	Wells Fargo	23,638	14.8
24	26	Standard Oil Calif	22,140	22.4
25	24	Travelers	21,638	12.9
26	28	Standard Oil Ind	20,167	17.6
27	25	General Tel & Elec	19,720	7.1
28	29	American Express	19,700	15.2
29	32	Crocker National	19,065	18.1
30	27	Gulf Oil	18,638	8.0
31	31	General Electric	18,511	11.2
32	30	Irving Bank	18,090	8.3
33	34	Shell Oil	17,615	9.2
34	33	Marine Midland Bks	17,480	11.1
35	35	Connecticut General	16,742	12.0
36	36	Atlantic Richfield	16,605	20.0
37	38	Mellon National	16,130	19.5
38	37	First Natl Boston	15,948	15.9
39	39	Northwest Bancorp	14,595	13.9
40	42	Tenneco	13,853	20.1
41	43	First Intl Bshs	13,781	19.8
42	41	First Bank System	13,475	11.2
43	46	Merrill Lynch	13,246	25.5
44	40	H F Ahmanson	13,130	8.0
45	56	Standard Oil Ohio	12,080	31.2
46	45	Republic of Texas	11,867	9.9
47	44	United States Steel	11,748	6.5
48	49	Dow Chemical	11,538	12.5
49	47	Southern Company	11,467	8.7
50	48	Pacific Gas & Elec	11,295	9.5
51	55	Texas Commerce Bshs	11,287	21.9
52	52	First City Bancorp	11,275	18.6
53	57	Commonwlth Edison	11,133	11.2
54	54	Conoco	11,036	18.5
55	71	Sun Company	10,955	46.8
56	64	American Elec Power	10,952	24.7
57	51	NBD Bancorp	10,869	14.5
58	59	INA	10,604	18.0
59	58	Bank of New York	10,423	15.9
60	53	Gt Western Financial	10,253	8.4
61	65	Phillips Petroleum	9,844	15.6
62	50	First Charter Finl	9,676	1.3
63	63	Union Carbide	9,659	9.7
64	66	Seafirst	9,588	14.1
65	61	E I du Pont	9,560	6.9
66	62	Loews	9,125	3.2
67	68	Transamerica	8,887	11.3
68	70	Eastman Kodak	8,747	15.9
69	69	Lincoln National	8,470	9.0
70	67	Beneficial Corp	8,300	1.0
71	90	Getty Oil	8,267	37.0
72	72	Continental Corp	8,216	10.2
73	75	So Calif Edison	7,734	10.8
74	76	City Investing	7,689	12.0
75	■	CSX	7,525	6.2
76	73	Consolidated Edison	7,460	4.6
77	87	Philip Morris	7,366	15.5
78	86	R J Reynolds Inds	7,355	14.5
79	81	Xerox	7,349	12.1
80	83	Imperial Corp of Am	7,347	12.7
81	84	Middle South Utils	7,335	12.8
82	85	United Technologies	7,326	14.0
83	82	American General	7,293	11.4
84	88	NCNB	7,176	12.7
85	92	RCA	7,146	19.3
86	74	Harris Bankcorp	6,905	-2.9
87	97	American Intl Group	6,900	20.5
88	79	Household Finance	6,841	2.8
89	77	Westinghouse Elec	6,813	-0.1
90	91	Union Oil California	6,772	12.6
91	89	Pub Svc Elec & Gas	6,725	10.2
92	104	Occidental Petroleum	6,680	19.2
93	80	Chrysler	6,618	-0.5
94	78	Control Data	6,568	-3.2
95	98	Procter & Gamble	6,553	15.7
96	95	Texas Utilities	6,551	12.6
97	93	Va Electric & Power	6,491	8.9
98	142	Republic New York	6,447	46.2
99	100	Duke Power	6,328	12.6
100	96	Engelhard Minerals	6,301	9.6
101	101	Consumers Power	6,277	12.9
102	103	Pittsburgh National	6,229	11.9
103	94	Philadelphia Natl	6,210	5.0
104	121	Union Pacific	6,153	21.8
105	[illegible]	K mart	6,102	8.2
106	109	Caterpillar Tractor	6,098	12.9
107	132	First Boston	6,035	23.3
108	131	Boeing	5,931	21.1
109	119	Amerada Hess	5,895	20.3
110	122	J C Penney	5,863	15.5
111	124	Southeast Banking	5,854	16.4
112	111	Northern Trust	5,849	9.2
113	112	Avco	5,844	10.2
114	113	Intl Harvester	5,843	13.4
115	105	Monsanto	5,796	4.6
116	108	Michigan National	5,787	6.6
117	118	Detroit Edison	5,742	11.6
118	115	Valley Natl Bk Ariz	5,733	10.3
119	102	Walter E Heller Intl	5,728	2.9
120	114	Phila Electric	5,703	8.8
121	123	DETROITBANK	5,668	11.9
122	120	Wachovia	5,654	10.9
123	107	AmeriTrust	5,602	3.7
124	160	Golden West Finl	5,579	43.5
125	60	First Pennsylvania	5,497	-38.8
126	133	Florida Power & Lt	5,492	13.3
127	128	National City	5,490	10.4
128	137	Mercantile Texas	5,460	16.0
129	117	Gulf & Western Inds	5,417	5.0
130	110	Goodyear	5,368	-0.1
131	135	Cities Service	5,358	12.3
132	125	Southern Pacific	5,330	6.1
133	180	Continental Group	5,321	10.4
134	156	AMAX	5,276	34.0
135	148	Burlington Northern	5,267	24.6
136	143	Schlumberger	5,242	19.8
137	129	Weyerhaeuser	5,239	5.7
138	140	Rainier Bancorp	5,222	16.1
139	116	Bethlehem Steel	5,207	0.8
140	150	Deere	5,202	24.5
141	134	International Paper	5,197	7.3
142	136	Alcoa	5,188	10.1
143	178	Teledyne	5,146	42.1
144	138	Minn Mining & Mfg	5,046	10.3
145	146	Marathon Oil	5,043	16.7
146	127	General Public Utils	5,043	1.0
147	126	BancOhio	5,002	-0.1
148	141	U S Bancorp	4,879	10.1
149	139	Manufacturers Natl	4,769	5.4
150	158	Halliburton	4,724	20.4
151	193	E F Hutton Group	4,707	41.9
152	■	Dart & Kraft	4,650	6.1
153	145	Mercantile Bancorp	4,646	7.4
154	149	Allied Corp	4,538	7.8
155	119	First Wisconsin	4,524	11.4
156	152	Georgia-Pacific	4,512	9.6
157	165	Houston Industries	4,433	15.6
158	151	Rockwell Intl	4,431	7.3
159	175	Barnett Banks Fla	4,431	21.0
160	147	NLT	4,414	3.8
161	144	Girard	4,386	0.6
162	157	Amer Natl Resources	4,383	11.6
163	169	W R Grace	4,365	17.0
164	154	Citizens & Sthrn Ga	4,341	6.9
165	161	Santa Fe Industries	4,330	11.5
166	166	Pa Power & Light	4,300	13.7
167	155	Gibraltar Financial	4,295	6.3
168	159	First Union Bancorp	4,271	9.6
169	170	Sperry	4,262	14.5
170	153	St Paul Companies	4,252	3.7

■ Not on 500 list in 1979.

THE FORBES ASSETS 500

Rank 1980	Rank 1979	Company	Assets ($000,000)	% change over 1979
171	171	U S Fidelity & Gty	4,247	15.4
172	176	Carolina Pwr & Lt	4,242	16.3
173	172	Central & South West	4,220	14.9
174	162	United Telecom	4,206	8.6
[illegible]	182	Southwest Bancshs	4,158	16.9
[illegible]	[illegible]	Coastal Corp	4,113	8.9
[illegible]	168	Maryland National	4,063	8.9
178	154	UAL	4,041	4.6
179	163	LTV	4,030	4.3
180	174	Beatrice Foods	3,980	8.5
181	188	Ohio Edison	3,980	15.5
182	173	American Brands	3,971	8.2
183	214	First Natl State Bcp	3,919	26.0
184	185	Long Island Lighting	3,918	13.2
185	194	McDonnell Douglas	3,900	15.4
186	184	Crum & Forster	3,896	10.7
187	195	Honeywell	3,893	16.6
188	177	Columbia Gas Sys	3,862	6.5
189	193	Burroughs	3,855	13.8
190	187	BanCal Tri-State	3,852	11.7
191	183	Niagara Mohawk Pwr	3,809	7.9
192	200	Armco	3,805	16.7
193	179	IC Industries	3,693	2.1
194	257	General Re	3,655	35.0
195	205	Northeast Utilities	3,628	12.8
196	199	California First Bnk	3,621	10.9
197	189	First Security	3,601	5.1
198	202	USLIFE	3,582	11.0
199	198	Federated Dept Stores	3,576	8.5
200	191	Centran	3,565	4.4
201	211	Pacific Pwr & Lt	3,559	13.8
202	208	Union Electric	3,552	12.1
203	197	McDermott	3,551	7.6
204	265	Paine Webber	3,500	31.0
205	249	InterNorth	3,486	25.1
206	280	Donaldson, Lufkin	3,474	37.2
207	256	Superior Oil	3,461	27.2
208	210	Shawmut	3,436	10.0
209	204	United Va Bankshares	3,454	7.4
210	203	Industrial National	3,452	7.0
211	209	National Steel	3,447	9.1
212	207	Lincoln First Banks	3,435	8.0
213	218	Society	3,431	13.7
214	231	PepsiCo	3,418	18.4
215	224	Coca-Cola	3,406	15.9
216	233	Midlantic Banks	3,404	18.2
217	226	Texas American Bshs	3,371	15.1
218	229	NCR	3,366	15.4
219	264	Pan Am World Airways	3,366	25.7
220	216	Pfizer	3,364	10.3
221	213	Ashland Oil	3,358	7.9
222	225	Alleghany	3,354	14.2
223	234	Johnson & Johnson	3,343	16.3
224	217	Champion Intl	3,340	9.8
225	215	Safeway Stores	3,339	7.7

Rank 1980	Rank 1979	Company	Assets ($000,000)	% change over 1979
226	242	Fidelcor	3,316	16.9
227	201	Texas Eastern	3,315	2.4
228	236	Sun Banks of Florida	3,312	15.3
229	219	Peoples Energy	3,288	9.3
230	212	First Union	3,282	5.2
231	206	American Airlines	3,278	3.0
232	239	Litton Industries	3,264	14.4
233	311	Fidelity Union Bncp	3,259	39.2
234	250	Kennecott	3,231	16.0
235	271	Panhandle Eastern	3,228	22.0
236	223	Continental Tel	3,208	8.9
237	241	BayBanks	3,207	12.6
238	222	Kaiser Alum & Chem	3,197	7.4
239	245	Trans World	3,185	13.5
240	251	CBT	3,175	14.9
241	227	F W Woolworth	3,172	8.4
242	232	Southern Railway	3,165	9.6
243	260	Riggs Natl Bank	3,149	17.2
244	220	First Atlanta	3,147	4.9
245	186	Firestone	3,119	−9.8
246	237	Trust Co of Georgia	3,112	8.9
247	240	Signal Companies	3,101	8.8
248	228	Reynolds Metals	3,097	6.0
249	263	Cleveland Elec Illum	3,094	15.5
250	238	Baltimore Gas & Elec	3,073	7.6
251	230	Owens-Illinois	3,066	5.4
252	253	Transco Companies	3,049	11.1
253	269	Washington National	3,043	14.9
254	252	Republic Steel	3,017	9.7
255	246	Allegheny Power	3,010	7.4
256	275	State Street Boston	3,009	15.8
257	181	El Paso	2,991	−16.2
258	278	General Foods	2,978	16.1
259	262	Bache Group	2,966	10.6
260	255	Inland Steel	2,958	8.5
261	235	Warner-Lambert	2,954	2.8
262	247	Jefferson-Pilot	2,935	5.2
263	321	Raytheon	2,929	27.5
264	290	Arizona Public Serv	2,928	18.3
265	296	Gulf States Utils	2,926	19.9
266	317	Bendix	2,924	26.5
267	244	Norfolk & Western Ry	2,922	3.6
268	243	American Cyanamid	2,917	3.2
269	258	First Tennessee Natl	2,916	8.0
270	286	Dresser Industries	2,897	15.7
271	248	American Natl Ins	2,895	3.9
272	295	New England Merch	2,890	17.9
273	274	Merck	2,866	9.6
274	267	Equimark	2,863	7.6
275	326	Allied Bancshares	2,855	26.3
276	273	TRW	2,855	9.0
277	309	Fidelity Financial	2,853	21.7
278	319	Nationwide	2,832	22.9
279	279	Huntington Bshs	2,831	10.9
280	270	PPG Industries	2,826	6.7

Rank 1980	Rank 1979	Company	Assets ($000,000)	% change over 1979
281	282	Banc One	2,824	11.9
282	261	American Can	2,822	5.2
283	294	Eastern Air Lines	2,816	14.8
284	310	Public Service Ind	2,809	19.9
285	312	Kerr-McGee	2,807	20.0
286	299	Diamond Shamrock	2,793	15.5
287	328	Kemper	2,777	23.9
288	268	Commerce Bancshrs	2,765	4.2
289	372	Tiger International	2,758	40.4
290	276	Hartford Natl	2,753	6.3
291	289	Provident National	2,752	10.6
292	288	Chubb	2,746	10.3
293	306	United Banks of Colo	2,740	15.6
294	266	AmSouth Bancorp	2,739	2.5
295	272	No States Power	2,735	4.4
296	277	Consol Natural Gas	2,737	6.0
297	300	Missouri Pacific	2,730	13.2
298	109	Penn Central	2,727	−49.4
299	315	American Security	2,714	17.1
300	284	Virginia Natl Bshs	2,704	7.3
301	259	Reliance Group	2,681	0.5
302	318	Boise Cascade	2,679	16.0
303	396	Digital Equipment	2,666	43.1
304	301	Pacific Lighting	2,662	10.7
305	254	American Fletcher	2,657	−2.7
306	308	McDonald's	2,643	12.3
307	293	Borden	2,643	7.3
308	325	St Regis Paper	2,642	16.9
309	305	Celanese	2,634	10.7
319	291	Banco Popular PR	2,630	6.4
311	281	United Jersey Banks	2,628	4.1
312	285	Safeco	2,624	4.7
313	304	Norton Simon	2,620	9.7
314	297	FMC	2,617	7.5
315	336	Eli Lilly	2,607	19.7
316	292	Capital Holding	2,605	5.6
317	323	Pennzoil	2,592	13.1
318	354	Baldwin-United	2,591	25.1
319	298	Colgate-Palmolive	2,578	6.1
320	314	No Indiana Pub Svc	2,539	9.5
321	373	Key Banks	2,527	29.1
322	340	Ingersoll-Rand	2,527	18.7
323	360	Dominion Bankshares	2,526	25.5
324	287	First Natl Bancorp	2,499	0.0
325	324	MCA	2,477	8.8
326	338	Florida Natl Banks	2,468	15.6
327	332	Illinois Power	2,467	11.4
328	379	Anheuser-Busch Cos	2,450	27.2
329	361	Marshall & Ilsley	2,446	21.5
330	331	Duquesne Light	2,443	9.9
331	343	Lockheed	2,443	15.6
332	365	General Dynamics	2,436	21.5
333	322	Financial General	2,427	5.8
334	385	Texas Instruments	2,414	26.5
335	327	GATX	2,413	6.9

■ Not on 500 list in 1979

Rank 1980	Rank 1979	Company	Assets ($000,000)	% change over 1979
336	316	Bank of Virginia	2,403	3.7
337	444	First American Bank	2,400	40.1
338	330	Potomac Elec Power	2,397	7.6
339	351	Combustion Engnrng	2,393	14.9
340	362	Williams Companies	2,380	18.3
341	339	Indiana National	2,378	11.6
342	398	Flagship Banks	2,374	28.5
343	337	Crown Zellerbach	2,373	9.8
344	346	Time Inc	2,371	12.7
345	347	American Home Prod	2,370	13.4
346	302	Financial Federation	2,362	-1.5
347	350	First Maryland Bncp	2,358	12.9
348	341	Provident Life & Acc	2,346	10.4
349	368	Bancorp Hawaii	2,343	17.9
350	313	Johns-Manville	2,338	0.6
351	■	City Federal S & L	2,337	22.0
352	388	Hewlett-Packard	2,337	23.0
353	355	CPC International	2,328	12.6
354	345	Kimberly-Clark	2,326	10.5
355	392	Murphy Oil	2,308	23.0
356	307	Eaton	2,302	-2.3
357	320	First & Merchants	2,301	0.2
358	335	CBS	2,301	5.6
359	364	United Bank Corp NY	2,274	13.3
360	426	First Oklahoma Bncp	2,273	28.5
361	423	Merchants National	2,272	27.5
362	333	Northwest Industries	2,272	3.4
363	357	PennCorp Financial	2,268	10.8
364	■	Shearson Loeb Rhoades	2,268	96.4
365	342	Central Bancorp	2,264	6.7
366	348	Consolidated Foods	2,263	8.7
367	369	Cincinnati G & E	2,262	14.2
368	495	Revlon	2,260	53.7
369	344	May Dept Stores	2,259	7.2
370	334	Ralston Purina	2,247	2.9
371	383	Florida Power	2,244	17.2
372	356	Jim Walter	2,226	8.6
373	363	Public Service Colo	2,216	10.2
374	352	B F Goodrich	2,216	6.4
375	376	Liberty Natl Ins Hold	2,214	13.7
376	381	Bristol-Myers	2,209	15.0
377	377	Gulf United	2,189	13.4
378	353	Textron	2,187	5.2
379	390	ENSERCH	2,187	16.3
380	349	First Kentucky Natl	2,167	3.7
381	400	Dayton-Hudson	2,155	17.6
382	395	Cullen/Frost Bankers	2,139	14.5
383	367	Tenn Valley Bancorp	2,139	7.0
384	416	So Natural Resources	2,134	19.0
385	384	New England Electric	2,120	10.9
386	375	Burlington Inds	2,117	8.3
387	366	Phelps Dodge	2,112	5.6
388	387	Motorola	2,112	11.0
389	393	Stauffer Chemical	2,112	12.5
390	412	Kaneb Services	2,101	15.9
391	374	Utah Power & Light	2,097	7.3
392	■	Entex	2,092	63.6
393	370	United States Trust	2,074	5.2
394	391	Boatmen's Bancshs	2,073	10.3
395	425	Martin Marietta	2,069	16.7
396	358	Equitable Bancorp	2,066	1.3
397	429	Central Bancshares	2,064	17.4
398	439	Abbott Laboratories	2,063	19.3
399	407	Portland Genl Elec	2,062	13.2
400	411	First Florida Banks	2,055	13.2
401	371	ASARCO	2,045	3.8
402	420	Delta Air Lines	2,043	14.2
403	382	First Natl Charter	2,035	6.1
404	445	NICOR	2,035	19.0
405	378	Arizona Bank	2,031	5.4
406	402	Wisconsin Elec Pwr	2,030	10.9
407	430	First United Bancorp	2,018	14.9
408	403	Scott Paper	2,014	10.1
409	399	General Mills	2,012	9.7
410	460	Texasgulf	2,010	22.0
411	424	Kroger	1,998	12.5
412	405	Citizens Fidelity	1,993	9.1
413	422	San Diego Gas & Elec	1,986	11.4
414	468	Schering-Plough	1,984	24.6
415	414	Pillsbury	1,984	9.9
416	404	First Alabama Bshs	1,973	7.9
417	443	Marine	1,971	14.9
418	394	TRANSOHIO Financial	1,969	5.1
419	464	H J Heinz	1,954	20.3
420	433	United Missouri Bshs	1,953	11.3
421	438	Old Kent Financial	1,951	12.8
422	455	Sumitomo Bank Cal	1,949	17.2
423	448	Utd Energy Resources	1,945	14.9
424	434	Natl Central Financl	1,937	10.5
425	462	Amer Savings & Loan	1,936	18.6
426	431	Dana	1,935	10.2
427	■	Wheelabrator-Frye	1,931	196.9
428	418	American B & T Pa	1,930	7.7
429	446	Emerson Electric	1,929	13.7
430	■	Gelco	1,918	69.8
431	428	No Calif Savings	1,912	8.7
432	435	First National Cinc	1,912	9.1
433	436	Central Fidelity Bks	1,909	9.0
434	417	Squibb	1,906	6.3
435	408	Greyhound	1,905	4.7
436	458	Western Financial	1,904	15.3
437	410	Borg-Warner	1,902	4.7
438	451	Idaho First Natl Bk	1,899	13.8
439	442	Fin Cp Santa Barbara	1,898	9.9
440	413	Atlantic Bancorp	1,897	5.1
441	465	Continental Bank	1,893	16.9
442	454	Houston Natural Gas	1,891	13.7
443	427	Hercules	1,890	7.3
444	453	Central Tel & Utils	1,890	13.5
445	406	Third National	1,885	3.4
446	401	First American	1,885	2.9
447	437	N Y State Elec & Gas	1,872	7.7
448	421	Dean Witter Reynolds	1,870	4.6
449	461	Mead	1,867	14.1
450	397	Southern Bancorp Ala	1,861	0.7
451	469	Broadview Financial	1,858	17.0
452	409	First Empire State	1,856	2.1
453	447	First Hawaiian	1,856	9.4
454	303	Esmark	1,854	-22.4
455	476	Intl Minerals & Chem	1,849	20.2
456	415	Genl Tire & Rubber	1,806	0.5
457	459	So Carolina E & G	1,802	9.2
458	■	Natomas	1,798	29.3
459	449	Northwestern Finl	1,790	6.0
460	456	Boston Edison	1,784	7.5
461	380	McGraw-Edison	1,783	-7.3
462	432	Western Union	1,782	1.5
463	■	Fin Corp of America	1,779	49.2
464	466	So New England Tel	1,777	9.9
465	471	NL Industries	1,774	11.8
466	473	Warner Commun	1,769	14.4
467	■	St Joe Minerals	1,765	59.2
468	457	Oklahoma Gas & Elec	1,753	6.1
469	■	Air Prods & Chems	1,751	23.3
470	440	Charter	1,746	1.0
471	441	Whitney Holding	1,744	0.9
472	463	Equitable of Iowa	1,743	7.1
473	500	Liberty National	1,740	20.6
474	■	Times Mirror	1,735	28.5
475	■	Old Stone	1,734	25.4
476	474	Hospital Trust	1,720	11.6
477	479	Gillette	1,709	11.8
478	■	Fluor	1,705	34.5
479	496	Toledo Edison	1,701	15.9
480	493	Dayton Power & Light	1,685	13.8
481	■	Holiday Inns	1,680	36.9
482	452	National Distillers	1,678	0.8
483	■	Upjohn	1,670	18.9
484	480	Deposit Guaranty	1,669	9.9
485	■	Union Camp	1,652	14.8
486	482	Zions Utah Bancorp	1,652	9.8
487	492	Carter Hawley Hale	1,651	11.5
488	477	Ryder System	1,646	7.1
489	■	Campbell Soup	1,628	22.8
490	487	Union Commerce	1,625	8.9
491	489	Allied Stores	1,620	9.0
492	389	Indust Valley Bank	1,619	-14.5
493	484	Cooper Industries	1,613	7.6
494	■	Hospital Corp of Am	1,610	49.8
495	467	Gould	1,609	-0.3
496	■	Standard Brands	1,608	16.1
497	494	South Carolina Natl	1,603	8.3
498	■	Wickes Companies	1,600	80.1
499	490	Carnation	1,591	7.2
500	475	Kidde	1,588	3.0

■ Not on 500 list in 1979

THE FORBES MARKET VALUE 500

The market raced far ahead of both the U.S. economy and U.S. business last year. Could it be trying to tell us something?

500's
MARKET VALU

TOTAL MARKET VALUE of the companies in this FORBES 500 list increased by 31.6% last year—the biggest gain since the 500s began in 1969. That growth far outstripped the growth of the 500 companies in assets (8.4%), sales (13.3%) and net profits (5.1%).

Rank 1980	Rank 1979	Company	Market value ($000,000)	% change over 1979
1	1	**IBM**	39,626	5.5
2	2	**American Tel & Tel**	36,137	-1.2
3	3	**Exxon**	34,837	44.0
4	6	**Standard Oil Ind**	23,352	98.4
5	5	**Schlumberger**	22,347	87.5

Does the market know something? The *second* largest annual market value gain was in 1975, when the economy was emerging from recession. This year, of course, conventional wisdom is that the economy is in delicate health. FORBES has been saying it's stronger than many forecasters think. Perhaps the market is saying that, too.

Those market value gains add up to an awesome figure in dollars: Altogether, the companies in this list were valued at $1.037 trillion, $249 billion more than last year's list. The top 20 alone gained nearly $100 billion. Wall Street's ebullience, in fact, resulted in 58 new companies joining the Market list this year—the main reason, in turn, that the total universe of FORBES 500s companies jumped to 818 from 801 last year.

The big gainers? No contest: It was last year's glamour industry—oil. Standard Oil of Indiana nearly doubled in market value, adding $11.6 billion. Exxon gained $10.6 billion, Schlumberger $10.4 billion, Shell $9.6 billion. Top to bottom, oil and oil-service companies rolled up big gains. Little ($74.3 million, sales) Tom Brown Inc., a drilling firm from Midland, Tex., jumped 376%. The Western Co. of North America, a $457.5 million (sales) Ft. Worth offshore driller and oilfield servicer, increased by 237%. But the only reliable law in the market place is the law of change—energy stocks have been hard put to hold their gains thus far this year.

Defense and some high-tech companies were other big gainers. Litton Industries' market value more than doubled, Teledyne's increased 65%, Wang Laboratories' nearly tripled.

But you could still have lost your shirt if you'd tried. Of the 500, only 67 lost market value in 1980. But some of those losses were heavy. General Motors lost $1.1 billion; Sears, Roebuck and Burroughs nearly $1 billion each.

With the Dow bumping along around 1000, is the market too high? Compare the total market value of the 500 companies—$1 trillion—with their $2.6 trillion in assets. That means $1 in the stock market bought you $2.60 worth of assets.

THE FORBES MARKET VALUE 500

Rank 1980	Rank 1979	Company	Market value ($000,000)	% change over 1979
6	12	Shell Oil	17,992	114.8
7	9	Standard Oil Ohio	17,685	63.3
8	7	Mobil	17,167	47.1
9	10	Standard Oil Calif	16,980	76.4
10	11	Atlantic Richfield	15,126	63.3
11	8	General Electric	13,951	20.9
12	4	General Motors	13,321	−7.9
13	13	Texaco	12,891	64.5
14	14	Eastman Kodak	11,258	44.9
15	26	Halliburton	9,828	96.6
16	15	Phillips Petroleum	8,641	20.8
17	16	Gulf Oil	8,492	25.7
18	38	Union Oil California	7,742	99.7
19	42	Union Pacific	7,559	119.0
20	18	Getty Oil	7,548	24.6
21	25	Conoco	7,049	38.6
22	19	Minn Mining & Mfg	6,921	17.4
23	23	Merck	6,334	15.5
24	27	Johnson & Johnson	6,165	27.1
25	20	E I du Pont	6,155	5.3
26	35	Tenneco	6,063	48.5
27	34	Sun Company	5,957	43.2
28	2	Dow Chemical	5,869	0.8
29	17	Procter & Gamble	5,697	−7.2
30	29	Philip Morris	5,398	20.4
31	41	Hewlett-Packard	5,392	54.1
32	40	SmithKline	5,317	38.9
33	24	Xerox	5,038	−3.2
34	46	Superior Oil	5,030	56.9
35	28	Caterpillar Tractor	5,017	7.5
36	30	Eli Lilly	4,831	20.9
37	22	Sears Roebuck	4,809	−13.8
38	43	R J Reynolds Inds	4,750	37.9
39	71	Raytheon	4,585	118.0
40	36	BankAmerica	4,454	9.8
41	31	American Home Prod	4,374	2.6
42	52	Digital Equipment	4,363	54.9
43	37	Weyerhaeuser	4,284	7.6
44	47	Marathon Oil	4,257	40.5
45	44	Boeing	4,252	30.9
46	33	General Tel & Elec	4,221	1.2
47	72	Dresser Industries	4,184	107.0
48	32	Coca-Cola	4,125	.2
49	62	Cities Service	3,977	71.7
50	51	Pfizer	3,931	37.0
51	67	Engelhard Minerals	3,763	75.0
52	48	Intl Tel & Tel	3,670	24.3
53	57	Abbott Laboratories	3,490	40.7
54	85	Amerada Hess	3,487	93.9
55	137	Texas Oil & Gas	3,419	158.4
56	53	Union Carbide	3,385	26.7
57	90	Rockwell Intl	3,384	92.7
58	112	Litton Industries	3,380	118.3
59	59	Bristol-Myers	3,323	37.2
60	91	Baker International	3,244	84.8
61	118	Santa Fe Industries	3,006	102.3
62	60	Deere	3,005	26.3
63	84	Teledyne	2,976	65.0
64	49	Citicorp	2,974	1.1
65	69	American Express	2,869	34.9
66	143	Fluor	2,864	130.5
67	54	Aetna Life & Cas	2,846	6.2
68	64	American Intl Group	2,837	26.6
69	73	Texas Instruments	2,808	39.8
70	79	W R Grace	2,777	52.3
71	75	Occidental Petroleum	2,762	40.8
72	82	United Technologies	2,664	47.1
73	191	Hughes Tool	2,647	165.3
74	78	Sperry	2,593	42.1
75	65	Pennzoil	2,593	16.3
76	58	AMAX	2,561	5.0
77	55	Pacific Gas & Elec	2,539	−2.9
78	297	Tandy	2,534	262.5
79	77	Honeywell	2,532	36.8
80	159	NL Industries	2,531	122.2
81	95	Westinghouse Elec	2,514	47.0
82	63	PepsiCo	2,487	9.9
83	68	Monsanto	2,482	15.5
84	66	American Elec Power	2,479	14.3
85	56	Georgia-Pacific	2,470	−5.0
86	39	Ford Motor	2,406	−37.5
87	284	Burlington Northern	2,397	237.5
88	106	General Dynamics	2,370	47.3
89	■	Dart & Kraft	2,368	NA
90	70	Emerson Electric	2,319	10.0
91	253	Wang Laboratories	2,303	184.0
92	107	Motorola	2,289	43.7
93	45	Burroughs	2,236	−30.7
94	101	RCA	2,209	33.4
95	50	K mart	2,205	24.4
96	113	United States Steel	2,182	43.7
97	76	Alcoa	2,178	12.9
98	111	Houston Natural Gas	2,155	38.7
99	105	Schering-Plough	2,151	33.5
100	194	Warner Commun	2,146	116.2
101	205	Mesa Petroleum	2,134	121.3
102	83	American Brands	2,103	16.5
103	167	Armco	2,102	91.8
104	87	International Paper	2,073	16.1
105	96	Southern Company	2,067	20.8
106	61	Avon Products	2,053	−13.3
107	92	Kerr-McGee	2,046	16.7
108	126	Upjohn	2,023	43.8
109	99	Texas Eastern	2,000	19.5
110	81	NCR	1,998	10.1
111	86	J P Morgan	1,997	11.7
112	98	Diamond Shamrock	1,989	18.7
113	155	Texasgulf	1,972	70.6
114	88	Commonwlth Edison	1,963	11.7
115	93	McDonald's	1,957	12.2
116	152	Amer Hospital Supply	1,954	65.0
117	■	CSX	1,951	NA
118	109	So Calif Edison	1,944	22.3
119	161	TRW	1,941	70.8
120	100	Gannett	1,937	16.4
121	138	InterNorth	1,928	48.1
122	129	Freeport Minerals	1,923	39.9
123	124	Connecticut General	1,922	34.8
124	495	Tom Brown	1,912	376.0
125	296	Natomas	1,902	172.2
126	131	McDonnell Douglas	1,891	38.1
127	89	Louisiana Land	1,885	7.3
128	352	Mitchell Enrgy & Dev	1,877	215.7
129	74	Beatrice Foods	1,875	5.0
130	121	AMP	1,867	28.9
131	■	Apple Computer	1,865	NA
132	175	Murphy Oil	1,865	76.6
133	102	Baxter Travenol Labs	1,843	13.3
134	291	Cameron Iron Works	1,832	160.5
135	156	Martin Marietta	1,812	56.8
136	125	Allied Corp	1,792	26.6
137	110	Texas Utilities	1,790	14.6
138	183	Intl Minerals & Chem	1,777	70.7
139	115	Levi Strauss	1,759	17.1
140	117	Signal Companies	1,743	16.5
141	116	Revlon	1,729	15.0
142	127	Intel	1,720	23.2
143	162	Panhandle Eastern	1,699	51.2
144	237	ENSERCH	1,690	95.3
145	120	Walt Disney	1,659	14.4
146	173	Archer Danls Midland	1,647	53.4
147	80	J C Penney	1,646	−9.4
148	104	Travelers	1,646	2.0
149	236	Hospital Corp of Am	1,641	89.5
150	313	Houston Oil & Min	1,639	146.9
151	135	Southland Royalty	1,625	21.9
152	225	Cooper Industries	1,624	78.6
153	238	Harris Corp	1,619	87.5
154	108	Warner-Lambert	1,603	0.7
155	142	INA	1,602	27.7
156	148	Dun & Bradstreet	1,595	31.1
157	259	Missouri Pacific	1,592	100.1
158	114	Consolidated Edison	1,567	3.3
159	103	American Cyanamid	1,564	−3.8
160	130	Duke Power	1,564	14.1
161	146	Chase Manhattan	1,564	26.3
162	122	Kellogg	1,548	7.3
163	203	Combustion Engnrng	1,536	58.7
164	258	St Joe Minerals	1,519	90.5
165	254	McDermott	1,514	87.4
166	123	CPC International	1,502	4.6
167	97	General Foods	1,495	−11.0
168	277	Santa Fe Intl	1,492	102.6
169	163	Peoples Energy	1,463	30.1
170	249	Perkin-Elmer	1,462	76.7

■ Not on 500 list in 1979. NA Not available.

THE FORBES MARKET VALUE 500

Rank 1980	Rank 1979	Company	Market value ($000,000)	% change over 1979
171	348	SEDCO	1,459	143.6
172	176	Time Inc	1,438	37.3
173	287	Smith International	1,444	104.0
174	171	So Natural Resources	1,436	31.7
175	94	Squibb	1,432	–16.9
176	199	Ingersoll-Rand	1,427	44.7
177	144	Times Mirror	1,415	14.2
178	193	G D Searle	1,409	41.8
179	234	Williams Companies	1,405	61.5
180	295	Merrill Lynch	1,382	97.6
181	134	Federated Dept Stores	1,380	3.4
182	149	Sterling Drug	1,374	14.0
183	210	PPG Industries	1,360	44.4
184	141	General Mills	1,360	8.1
185	215	Bendix	1,359	46.5
186	189	Transco Companies	1,356	34.6
187	154	Western Bancorp	1,355	17.1
188	283	Petrolane	1,344	88.9
189	140	Champion Intl	1,336	5.0
190	145	Columbia Gas Sys	1,334	7.7
191	255	Utd Energy Resources	1,332	66.4
192	119	CBS	1,328	–9.0
193	168	Lubrizol	1,315	20.1
194	242	Big Three Industries	1,315	54.5
195	241	Norfolk & Western Ry	1,308	53.8
196	223	Control Data	1,303	43.0
197	365	Humana	1,303	129.8
198	136	Pub Svc Elec & Gas	1,302	–1.8
199	390	Helmerich & Payne	1,300	146.1
200	166	ASARCO	1,281	15.9
201	200	Marsh & McLennan	1,262	28.7
202	■	Western Co No Amer	1,260	247.3
203	187	Anheuser-Busch Cos	1,254	23.1
204	248	Southern Railway	1,241	49.9
205	163	Crown Zellerbach	1,241	15.2
206	[illegible]	Middle South Utils	1,235	8.1
207	[illegible]	Continental Illinois	1,229	8.1
208	[illegible]	United Telecom	1,226	8.3
209	[illegible]	Continental Corp	1,225	–12.3
210	[illegible]	Union Camp	1,224	20.0
211	[illegible]	Transamerica	[illegible]	10.1
212	[illegible]	Kimberly-Clark	1,218	17.7
213	[illegible]	Houston Industries	[illegible]	16.1
214	[illegible]	General American Oil	[illegible]	28.0
215	■	Prime Computer	[illegible]	[illegible]
216	[illegible]	El Paso	1,205	[illegible]
217	[illegible]	Waste Management	1,202	[illegible]
218	[illegible]	Newmont Mining	1,201	[illegible]
219	[illegible]	Colgate-Palmolive	1,198	1.8
220	[illegible]	General Signal	[illegible]	[illegible]
221	253	Gulf & Western Inds	1,192	48.2
222	174	U S Fidelity & Gty	1,189	11.1
223	319	Noble Affiliates	1,188	80.1
224	[illegible]	Air Prods & Chems	1,180	[illegible]
225	264	Delta Air Lines	1,171	30.0
226	177	General Re	1,169	10.6
227	■	M/A-Com	1,162	557.4
228	302	MAPCO	1,159	68.1
229	158	Phila Electric	1,158	1.6
230	470	Datapoint	1,155	170.6
231	217	Bethlehem Steel	1,152	24.9
232	216	Goodyear	1,148	24.4
233	172	Amer Natl Resources	1,145	5.6
234	300	CBI Industries	1,143	65.2
235	294	McGraw-Hill	1,144	63.5
236	185	Florida Power & Lt	1,141	11.8
237	181	Northwest Industries	1,137	9.1
238	139	MCA	1,137	–11.1
239	151	Ralston Purina	1,133	–4.6
240	169	Tektronix	1,130	3.3
241	364	Dover	1,122	97.9
242	202	St Regis Paper	1,120	15.0
243	357	Homestake Mining	1,114	90.8
244	250	Hilton Hotels	1,113	35.2
245	338	Pioneer	1,106	79.0
246	224	Southern Pacific	1,103	21.3
247	256	Consol Natural Gas	1,103	38.2
248	279	Loews	1,100	71.7
249	184	Mfrs Hanover	1,100	6.3
250	429	Centl Louisiana Engy	1,094	133.1
251	196	Corning Glass Works	1,092	10.3
252	■	Computervision	1,077	254.4
253	247	Ashland Oil	1,075	11.8
254	209	Continental Group	1,071	13.5
255	226	H J Heinz	1,070	17.9
256	459	Rowan Companies	1,067	146.7
257	309	Becton, Dickinson	1,051	54.8
258	190	Dayton-Hudson	1,044	3.8
259	198	Stauffer Chemical	1,038	5.1
260	201	Va Electric & Power	1,037	6.3
261	305	Nalco Chemical	1,035	50.9
262	263	First Intl Bshs	1,034	31.8
263	188	Central & South West	1,027	1.3
264	214	Carnation	1,013	8.6
265	233	Textron	1,012	16.1
266	197	Campbell Soup	1,004	1.5
267	341	Sundstrand	1,001	62.4
268	270	Coastal Corp	997	92.5
269	415	Parker Drilling	993	104.7
270	382	Norton	989	82.3
271	246	FMC	981	17.4
272	231	Long Island Lighting	980	11.2
273	392	Wal-Mart Stores	978	86.2
274	■	Reading & Bates	975	199.1
275	[illegible]	Pacific Pwr & Lt	970	41.9
276	261	Kaiser Alum & Chem	[illegible]	22.0
277	[illegible]	Pittston	[illegible]	31.4
278	423	Cabot	[illegible]	[illegible]
279	[illegible]	Consumers Power	[illegible]	3.2
280	■	Global Marine	[illegible]	347.7
281	266	Security Pacific	952	22.3
282	336	Dow Jones	950	52.0
283	328	Texas Commerce Bshs	947	48.8
284	221	Farmers Group	940	3.3
285	262	Carolina Pwr & Lt	928	17.3
286	218	Detroit Edison	914	–0.8
287	286	Chesebrough-Pond's	913	28.7
288	213	American General	912	–2.2
289	228	Boise Cascade	909	0.8
290	446	General Instrument	896	100.9
291	274	Borg-Warner	896	20.0
292	180	Kennecott	893	–14.5
293	332	Ark Louisiana Gas	892	41.3
294	■	Wheelabrator-Frye	890	153.9
295	272	American Standard	890	18.3
296	304	Melville	890	29.3
297	243	Knight-Ridder News	885	5.8
298	■	Tandem Computers	888	325.3
299	433	Natl Semiconductor	883	91.3
300	323	Gould	883	35.8
301	■	Sabine	879	159.0
302	247	Continental Tel	877	5.6
303	432	Energy Reserves Gp	875	89.5
304	377	Pogo Producing	875	58.8
305	359	Holiday Inns	865	30.0
306	356	Northrop	864	47.7
307	289	Nabisco	860	22.1
308	■	Valero Energy	860	228.3
309	229	National Distillers	850	–5.6
310	318	Arizona Public Serv	843	28.0
311	260	Gillette	842	5.8
312	330	Texas Gas Transmn	840	49.4
313	443	Foster Wheeler	840	86.9
314	239	Niagara Mohawk Pwr	837	–2.5
315	282	Intl Flavors & Frag	833	13.8
316	227	Lincoln National	833	–8.0
317	252	NLT	823	1.0
318	■	Tidewater	822	142.5
319	219	Polaroid	821	–10.7
320	367	Marriott	821	45.1
321	235	Owens-Corning Fbrgls	819	–5.7
322	150	Intl Harvester	816	–32.2
323	384	Penn Central	816	52.3
324	257	Ohio Edison	814	2.0
325	240	St Paul Companies	812	–5.0
326	■	Federal Express	808	115.7
327	285	Scott Paper	807	13.8
328	232	Hercules	806	–7.8
329	349	NICOR	798	33.2
330	220	Safeway Stores	797	–13.2
331	■	ROLM	792	151.6
332	267	Pa Power & Light	791	2.5
333	308	Celanese	787	15.2
334	■	Gearhart Industries	787	134.8
335	■	Avnet	786	102.8

■ Not on 500 list in 1979

THE FORBES MARKET VALUE 500

Rank 1980	Rank 1979	Company	Market value ($000,000)	% change over 1979
336	327	Phelps Dodge	786	22.8
337	321	Jack Eckerd	782	19.7
338	271	Crum & Forster	782	3.2
339	273	Standard Brands	774	3.5
340	204	Black & Decker	773	-20.0
341	299	May Dept Stores	772	11.1
342	■	Natl Medical Entrprs	771	189.5
343	387	Auto Data Processing	771	44.8
344	■	Tele-Communications	766	150.1
345	■	Geosource	766	165.5
346	427	Belco Petroleum	765	62.6
347	276	Borden	764	2.7
348	405	First City Bancorp	762	51.4
349	312	Eaton	762	13.8
350	456	Bankers Trust N Y	761	75.7
351	■	Zapata	759	219.0
352	244	Dana	758	-9.7
353	170	Amer Broadcasting	758	-30.6
354	329	Capital Cities Comm	758	19.4
355	245	Household Finance	757	9.8
356	269	Lucky Stores	757	-1.5
357	292	Pillsbury	752	7.2
358	346	Fort Howard Paper	752	23.1
359	361	Beckman Instruments	751	31.2
360	317	Northwest Bancorp	749	13.6
361	408	Kaneb Services	748	50.2
362	335	Masco	748	19.4
363	■	LTV	746	259.6
364	362	Pacific Lumber	746	30.4
365	275	F W Woolworth	741	-0.5
366	373	Square D	740	33.3
367	457	Cox Broadcasting	740	70.8
368	360	Owens-Illinois	738	28.1
369	444	Bausch & Lomb	735	64.1
370	462	Cincinnati Milacron	734	69.8
371	445	Overseas Shipholding	729	63.1
372	496	Joy Manufacturing	726	82.0
373	323	Genuine Parts	724	11.1
374	288	Union Electric	719	1.9
375	265	Norton Simon	718	7.8
376	425	Louisiana-Pacific	714	11.2
377	208	Fedl Natl Mortgage	702	-25.8
378	298	Public Service Ind	700	0.5
379	310	Whirlpool	698	2.8
380	278	Winn-Dixie Stores	695	5.5
381	406	Brown-Forman Dist	694	38.7
382	268	Consolidated Foods	692	-10.3
383	395	Roadway Express	692	32.9
384	281	Koppers	691	-4.1
385	280	Safeco	690	-4.7
386	366	R H Macy	687	21.2
387	435	Tosco	685	49.0
388	324	Mead	684	6.5
389	■	Crouse-Hinds	681	196.2
390	340	MGIC Investment	680	10.1
391	363	Timken	679	18.8
392	376	Data General	679	22.9
393	311	Cleveland Elec Illum	677	0.9
394	374	Interco	676	21.9
395	342	Reynolds Metals	676	9.7
396	■	Inexco Oil	673	72.5
397	461	City Investing	669	54.8
398	■	DEKALB AgResearch	666	76.2
399	439	Eastern Gas & Fuel	662	45.1
400	399	R R Donnelley & Sons	660	28.0
401	■	Cray Research	659	233.7
402	438	Raychem	656	43.4
403	344	Wells Fargo	652	6.4
404	293	Baltimore Gas & Elec	646	7.9
405	■	Amer Medical Intl	644	85.0
406	351	Utah Power & Light	642	7.8
407	334	Central Tel & Utils	641	2.3
408	■	Lear Siegler	639	83.6
409	379	Chemical New York	639	17.0
410	388	Medtronic	639	20.3
411	■	Amer Quasar Petro	638	142.0
412	306	No States Power	631	-8.0
413	483	American Petrofina	631	54.2
414	471	Pioneer Hi-Bred Intl	630	47.7
415	354	Alexander & Alexander	629	6.7
416	469	Storage Technology	628	47.1
417	398	Gt Northern Nekoosa	625	20.9
418	■	Felmont Oil	623	230.1
419	381	Mellon National	623	14.5
420	343	First Chicago	622	1.2
421	368	Illinois Power	617	9.4
422	331	Greyhound	615	2.6
423	■	Delhi Intl Oil	615	355.9
424	369	Quaker Oats	614	5.1
425	418	Republic of Texas	611	26.3
426	492	Deluxe Check Printers	611	50.4
427	330	Heublein	609	4.0
428	401	Firestone	606	15.4
429	393	Kroger	604	13.1
430	■	EG&G	600	86.0
431	353	First Bank System	600	1.2
432	337	Rohm & Haas	598	-3.6
433	397	Westvaco	598	15.6
434	371	Colt Industries	591	5.3
435	468	McGraw-Edison	588	37.7
435	498	A E Staley Mfg	588	47.8
437	320	Inland Steel	587	-10.4
438	303	American Can	587	14.7
439	222	Bally Manufacturing	587	-35.0
440	437	PACCAR	583	27.5
441	■	Shearson Loeb Rhoades	583	432.5
442	■	Petro-Lewis	581	315.0
443	440	Potlatch	575	26.4
444	460	Public Service Colo	570	31.8
445	■	Amdahl	570	63.5
446	428	Gulf States Utils	569	21.0
447	■	McRae Consol Oil&Gas	567	153.4
448	383	Johns-Manville	566	5.2
449	■	Adobe Oil & Gas	562	84.1
450	■	Centex	559	42.5
451	380	Pacific Lighting	559	2.4
452	481	Supron Energy	558	36.1
453	■	First Mississippi	557	124.3
454	339	Allegheny Power	554	-10.3
455	■	Twentieth Century-Fox	554	62.4
456	319	Jefferson-Pilot	552	-16.1
457	434	Adolph Coors	551	19.9
458	■	Tymshare	549	128.0
459	347	Northeast Utilities	546	-10.2
460	■	Teleprompter	543	44.4
461	400	USLIFE	542	5.2
462	333	Esmark	539	-14.3
463	458	Super Valu Stores	535	23.7
464	403	United States Gypsum	534	5.7
465	475	Willamette Inds	533	27.3
466	422	Potomac Elec Power	531	10.8
467	■	Advanced Micro Devcs	527	103.4
468	■	Mallinckrodt	524	82.6
469	■	Pall	523	101.6
470	375	Ethyl	522	-5.5
471	■	Parsons	517	110.4
472	314	UAL	517	-21.8
473	350	Northwest Airlines	514	-14.0
474	■	Petrolite	512	122.2
475	412	Gulf United	512	4.2
476	■	Northwest Energy	511	57.0
477	■	Crocker National	509	36.1
478	417	Duquesne Light	507	4.7
479	425	Burlington Inds	505	6.7
480	■	IC Industries	505	28.7
481	449	Pitney Bowes	504	13.8
482	■	Dorchester Gas	504	91.1
483	487	Bucyrus-Erie	503	23.1
484	■	North Amer Philips	502	44.6
485	421	Diamond Intl	498	3.5
486	372	Capital Holding	495	-11.5
487	■	Rollins	494	29.1
488	409	Jim Walter	494	-0.5
489	■	Phila Suburban	493	71.7
490	■	Foremost-McKesson	493	29.7
491	452	Avco	492	12.4
492	■	MCI Communications	489	235.3
493	488	Parker-Hannifin	489	19.9
494	392	W W Grainger	488	7.5
495	■	Peabody Intl	488	134.4
496	426	Chubb	486	2.9
497	■	Foxboro	486	55.9
498	450	Cessna Aircraft	485	10.7
499	■	Sanders Associates	485	130.1
500	316	Southland	485	-26.5

■ Not on 500 list in 1979

SUMMARY

500's
SALES
ASSETS
PROFITS
MARKET VALUE

Where they rank: 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
398	292	53	126	**Abbott Laboratories (Dec)**	2,062,835	2,038,155	3,489,610	214,413
■	486	■	■	**ACF Industries (Dec)**	1,109,488	1,029,063	414,414	44,756
■	■	449	■	**Adobe Oil & Gas (Dec)**	277,938	154,382	561,920	21,449
■	■	467	■	**Advanced Micro Devices (Mar)**	164,756	225,593	527,160	23,277
11	23	67	38	**Aetna Life & Casualty (Dec)**	35,752,700	13,318,000	2,845,636	508,300
44	396	■	■	**H F Ahmanson (Dec)**	13,109,603	1,371,119	463,106	48,077
469	383	224	266	**Air Products & Chemicals (Sept)**	1,750,621	1,420,759	1,180,222	115,502
■	482	■	■	**Akzona (Dec)**	846,708	1,054,015	151,458	4,877
■	■	■	442	**Alaska Interstate (Dec)**	593,631	261,652	433,251	63,141
■	188	■	■	**Albertson's (Jan)**	627,219	3,039,129	300,125	41,621
■	268	■	■	**Alco Standard (Sept)**	739,055	2,234,327	322,875	50,832
■	■	415	469	**Alexander & Alexander Services (Dec)**	673,263	411,872	628,524	56,399
■	■	■	402	**Alexander & Baldwin (Dec)**	655,492	431,733	292,736	71,860
222	448	■	487	**Alleghany (Dec)**	3,353,622	1,165,620	308,583	54,281
255	450	454	294	**Allegheny Power System (Dec)**	3,009,892	1,159,502	553,960	103,748
275	■	■	■	**Allied Bancshares (Dec)**	2,855,187	294,346	374,874	37,295
154	77	136	81	**[1]Allied Corp (Dec)**	4,538,000	5,519,000	1,791,662	289,000
491	257	■	355	**Allied Stores (Jan)**	1,620,270	2,298,838	421,091	83,906

■ Not on 500 list

[1] Formerly Allied Chemical

On these and the following pages, a summary of all four FORBES 500 rosters. The companies are listed alphabetically. We give their rankings in sales, profits, assets and market value, the actual figures reported that determined those rankings, and the names of their chief executives.

	Share data: 1980								
Cash flow ($000)	Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec. 31)	Corporate headquarters	Number of employees (000)	Chief executive
274,610	61,763	NYSE	ABT	3.46	1.15	56½	North Chicago, Ill	31.0	**Robert A Schoellhorn**
126,059	9,009	NYSE	ACF	5.02	2.44	46	New York, NY	13.3	**John F Burditt**
46,106	14,196	ASE	AOI	1.47	0.13	39⅝	Midland, Tex	0.4	**B J Pevehouse**
38,126	15,280	NYSE	AMD	1.47	none	34½	Sunnyvale, Cal	7.3	**Walter J Sanders III**
3,392,500	80,442	NYSE	AET	6.30	2.04	35⅜	Hartford, Conn	39.1	**John H Filer**
687,378	23,749	NYSE	AHM	2.07	1.20	19½	Los Angeles, Cal	4.3	**William H Ahmanson**
276,878	28,525	NYSE	APD	4.07	0.80	41⅜	Allentown, Pa	15.2	**Edward Donley**
46,620	12,239	NYSE	AXO	0.40	0.80	12⅜	Asheville, NC	15.9	**Claude S Ramsey**
65,617	12,558	NYSE	AKI	5.22	0.50	34½	Houston, Tex	1.4	**O Charles Honig**
76,504	14,821	NYSE	ABS	2.70	0.75	20¼	Boise, Ida	27.0	**Warren E McCain**
73,957	9,427	NYSE	ASN	5.25	1.76	34¼	Valley Forge, Pa	17.8	**Ray B Mundt**
70,671	18,486	NASDAQ	AALS	3.06	1.64	34	New York, NY	7.5	**John A Bogardus Jr**
91,740	9,148	NASDAQ	ALEX	7.89	1.93	32	Honolulu, Haw	3.8	**Robert J Pfeiffer**
440,604	9,351	NYSE	Y	4.76	1.08	33	New York, NY	9.0	**Fred M Kirby**
201,212	40,288	NYSE	AYP	2.59	1.80	13¾	New York, NY	5.6	**Charles B Finch**
54,662	11,403	NASDAQ	ALBN	3.36	0.79	32⅞	Houston, Tex	1.7	**Gerald H Smith**
594,000	33,489	NYSE	ACD	8.15	2.15	53½	Morris Township, NJ	46.9	**Edward L Hennessey Jr**
130,041	20,172	NYSE	ALS	4.11	1.68	20⅞	New York, NY	54.0	**Thomas M Macioce**

All share data adjusted for stock splits and stock dividends through May 11, 1981.

Where they rank, 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
■	287	■	■	**Allis-Chalmers (Dec)**	1,548,830	2,063,940	453,051	48,222
142	90	97	45	**Aluminum Company of America (Dec)**	5,188,082	5,147,608	2,178,317	469,945
134	201	76	44	**AMAX (Dec)**	5,275,600	2,949,170	2,560,676	470,390
■	■	445	■	**Amdahl (Dec)**	389,606	394,351	569,633	15,221
109	56	54	35	**Amerada Hess (Dec)**	5,895,444	7,868,963	3,486,873	540,242
231	141	■	■	**American Airlines (Dec)**	3,277,883	3,820,978	258,282	−125,233
428	■	■	■	**American Bank & Trust Pa (Dec)**	1,930,349	200,466	97,048	19,641
182	121	102	50	**American Brands (Dec)**	3,970,883	4,276,527	2,103,118	405,489
■	262	353	205	**American Broadcasting Companies (Dec)**	1,410,876	2,256,216	758,117	146,304
282	108	438	349	**American Can (Dec)**	2,822,000	4,812,200	587,149	85,700
268	160	159	187	**American Cyanamid (Dec)**	2,916,563	3,453,934	1,564,401	159,195
56	147	84	61	**American Electric Power (Dec)**	10,951,984	3,756,464	2,478,803	348,377
28	78	65	58	**American Express (Dec)**	19,709,000	5,504,000	2,868,779	376,000
305	■	■	■	**American Fletcher (Dec)**	2,656,592	293,053	70,789	19,092
83	258	288	176	**[2]American General (Dec)**	7,293,328	2,291,716	912,364	167,352
345	143	41	47	**American Home Products (Dec)**	2,370,262	3,798,524	4,374,478	445,889
■	251	116	249	**American Hospital Supply (Dec)**	1,457,459	2,339,896	1,953,971	122,195
87	217	68	85	**American International Group (Dec)**	6,899,756	2,709,475	2,837,100	282,169
■	■	405	■	**American Medical International (Aug)**	544,530	537,059	643,833	32,386
■	234	■	■	**American Motors (Dec)**	1,028,957	2,552,587	220,782	−197,525
271	■	■	422	**American National Insurance (Dec)**	2,894,938	661,126	395,893	67,975
162	189	233	258	**American Natural Resources (Dec)**	4,383,491	3,038,546	1,145,210	118,236
■	282	413	290	**American Petrofina (Dec)**	1,187,572	2,098,464	630,513	104,279
■	■	411	■	**American Quasar Petroleum (Dec)**	210,220	44,935	637,787	4,924
425	■	■	■	**American Savings & Loan Assn of Fla (Sept)**	1,935,931	186,831	54,699	4,554
299	■	■	■	**American Security (Dec)**	2,713,526	273,100	123,476	23,825
■	221	295	188	**American Standard (Dec)**	1,578,371	2,673,589	890,354	156,893
■	65	■	■	**American Stores (Jan)**	1,292,992	6,419,884	209,945	51,553
1	5	2	1	**American Telephone & Telegraph (Dec)**	125,450,800	50,791,200	36,137,247	6,079,700
123	■	■	■	**AmeriTrust (Dec)**	5,601,942	566,444	288,344	51,791
■	360	■	467	**AMF (Dec)**	979,321	1,534,030	451,990	56,593
■	300	■	385	**Amfac (Dec)**	1,235,983	1,922,399	365,780	76,101
■	453	130	232	**AMP (Dec)**	929,192	1,155,382	1,867,293	131,274
294	■	■	■	**[3]AmSouth Bancorporation (Dec)**	2,738,570	281,522	149,405	28,351
■	414	■	■	**Amstar (June)**	606,931	1,284,988	211,148	30,853
■	■	■	406	**Amsted Industries (Sept)**	453,321	914,868	465,750	71,200
■	335	■	499	**Anderson, Clayton (June)**	865,016	1,703,102	253,894	52,749
328	170	203	169	**Anheuser-Busch Companies (Dec)**	2,449,800	3,295,400	1,253,856	171,800
■	■	131	■	**Apple Computer (Sept)**	65,350	117,126	1,865,341	11,698
■	212	■	440	**ARA Services (Sept)**	1,097,065	2,806,020	347,823	63,246
■	213	146	264	**Archer Daniels Midland (June)**	1,365,564	2,802,011	1,647,311	115,958
405	■	■	■	**Arizona Bank (Dec)**	2,030,727	213,390	120,842	15,486
264	■	310	208	**Arizona Public Service (Dec)**	2,928,484	765,760	842,722	143,290
■	■	293	394	**Arkansas Louisiana Gas (Dec)**	1,219,550	974,510	892,222	73,427
192	75	103	95	**Armco (Dec)**	3,805,400	5,678,000	2,101,856	265,300
■	407	■	■	**[4]Armstrong World Industries (Dec)**	8[illegible],513	1,322,967	352,645	48,566
401	311	200	125	**ASARCO (Dec)**	2,044,751	1,817,032	1,280,676	216,472
221	52	253	134	**Ashland Oil (Sept)**	3,357,614	8,118,369	1,074,694	205,129
■	297	■	■	**Associated Dry Goods (Jan)**	1,020,871	1,952,239	331,485	52,211
440	■	■	■	**Atlantic Bancorp (Dec)**	1,897,418	189,925	76,096	15,614

■ Not on 500 list

[2] Formerly American General Insurance.
[3] Formerly Alabama Bancorporation.
[4] Formerly Armstrong Cork.

A SUMMARY OF THE 500's RANKINGS

	Share data: 1980								
Cash flow ($000)	Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec 31)	Corporate headquarters	Number of employees (000)	Chief executive
74,423	12,455	NYSE	AH	3.60	2.00	36⅜	West Allis, Wisc	28.9	**David C Scott**
735,815	73,066	NYSE	AA	6.54	1.60	29⅞	Pittsburgh, Pa	45.6	**W H Krome George**
624,330	62,077	NYSE	AMX	7.48	2.40	41¼	Greenwich, Conn	20.4	**Pierre Gousseland**
76,242	16,878	ASE	AMH	0.83	0.40	33¾	Sunnyvale, Cal	4.0	**Eugene R White**
1,046,870	80,389	NYSE	AHC	6.44	1.00	43⅜	New York, NY	8.4	**Leon Hess**
152,215	28,698	NYSE	AMR	-4.78	0.10	9	Dallas, Tex	45.3	**Albert V Casey**
25,075	7,058	NASDAQ	APEN	2.78	0.95	13¾	Reading, Pa	1.8	**Samuel A McCullough**
462,649	27,137	NYSE	AMB	14.02	5.90	77½	New York, NY	52.5	**Edward W Whittemore**
190,180	28,209	NYSE	ABC	5.18	1.60	26⅞	New York, NY	12.8	**Leonard H Goldenson**
242,100	19,330	NYSE	AC	4.26	2.90	30⅜	Greenwich, Conn	51.0	**William S Woodside**
327,046	47,951	NYSE	ACY	3.32	1.60	32⅝	Wayne, NJ	42.6	**Dr James G Affleck**
749,957	146,892	NYSE	AEP	2.41	2.23	16⅞	Columbus, Ohio	26.7	**Willis S White Jr**
1,155,000	71,274	NYSE	AXP	5.27	1.95	40¼	New York, NY	44.0	**James D Robinson III**
28,826	4,567	NASDAQ	AFLT	4.16	1.24	15½	Indianapolis, Ind	2.5	**Frank E McKinney Jr**
758,410	24,493	NYSE	AGC	6.56	1.00	37¼	Houston, Tex	8.3	**Harold S Hook**
525,568	155,537	NYSE	AHP	2.84	1.70	28⅛	New York, NY	49.8	**John W Culligan**
202,944	40,602	NYSE	AHS	3.03	0.89	48½	Evanston, Ill	31.1	**Karl D Bays**
677,873	37,828	NASDAQ	AIGR	7.48	0.48	75	New York, NY	20.8	**Maurice R Greenberg**
63,756	15,149	NYSE	AMI	2.12	0.56	42½	Beverly Hills, Cal	18.4	**Royce Diener**
-131,897	56,976	NYSE	AMO	-6.00	0.15	3⅞	Southfield, Mich	24.9	**Gerald C Meyer**
200,349	30,749	NASDAQ	ANAT	2.21	0.62	12⅞	Galveston, Tex	12.7	**Orson C Clay**
461,695	23,253	NYSE	ANR	5.11	3.38	49¼	Detroit, Mich	16.0	**Arthur R Seder Jr**
176,885	10,778	ASE	API A	9.69	3.00	58½	Dallas, Tex	2.7	**Richard I Galland**
20,676	28,009	NASDAQ	AQAS	0.25	none	31⅞	Fort Worth, Tex	0.3	**Richard L Lowe**
104,568	2,559	NYSE	AAA	1.83	0.80	21⅜	Miami, Fla	0.8	**Morris N Broad**
37,733	3,579	NASDAQ	ASEC	6.62	2.25	34½	Washington, DC	1.4	**W Jarvis Moody**
240,119	27,083	NYSE	AST	5.69	2.00	32⅞	New York, NY	49.1	**William A Marquard**
135,993	9,822	NYSE	ASC	4.11	0.80	21⅛	Salt Lake City, Utah	62.0	**Lennie S Skaggs**
15,367,100	754,825	NYSE	T	8.19	5.00	47⅞	New York, NY	1,044.0	**Charles L Brown**
82,693	9,227	NASDAQ	AMTR	5.62	2.56	31¼	Cleveland, Ohio	4.5	**M Brock Weir**
113,222	20,545	NYSE	AMF	2.76	1.24	22	White Plains, NY	27.6	**W Thomas York**
127,262	13,674	NYSE	AMA	5.37	1.32	26¾	Honolulu, Haw	25.2	**Henry A Walker Jr**
187,644	35,996	NYSE	AMP	3.65	1.00	51⅞	Harrisburg, Pa	18.9	**Joseph D Brenner**
45,120	7,378	NASDAQ	ABNC	3.85	1.32	20¼	Birmingham, Ala	3.5	**John W Woods**
53,884	8,985	NYSE	ASR	3.32	1.35	23½	New York, NY	8.0	**Robert T Quittmeyer**
95,579	10,800	NYSE	AD	6.60	2.41	43⅛	Chicago, Ill	11.5	**Robert H Wellington**
60,632	12,310	NYSE	AYL	4.00	1.14	20⅝	Houston, Tex	17.3	**Thomas J Barlow**
347,300	45,184	NYSE	BUD	3.80	0.99	27¾	St Louis, Mo	18.0	**August A Busch III**
13,822	54,662	NASDAQ	AAPL	0.24	none	34⅛	Cupertino, Cal	1.0	**A C Markkula**
141,354	11,086	NYSE	ARA	5.33	1.88	31⅜	Philadelphia, Pa	120.0	**William S Fishman**
167,275	66,558	NYSE	ADM	2.03	0.13	24¾	Decatur, Ill	5.6	**Dwayne O Andreas**
23,208	7,334	NASDAQ	ABKP	2.12	0.75	16½	Phoenix, Ariz	2.1	**Donald B Tostenrud**
173,978	47,814	NYSE	AZP	2.75	2.06	17⅝	Phoenix, Ariz	5.4	**Keith L Turley**
145,353	25,133	NYSE	ALG	2.92	1.28	35½	Shreveport, La	4.8	**Edward Sheffield Nelson**
439,000	55,312	NYSE	AS	4.73	1.57	38	Middletown, Ohio	58.8	**Harry Holiday Jr**
103,970	24,747	NYSE	ACK	1.94	1.10	14¼	Lancaster, Pa	22.6	**Harry A Jensen**
195,733	29,611	NYSE	AR	7.31	1.85	43¾	New York, NY	12.7	**Charles F Barber**
361,234	26,454	NYSE	ASH	6.80	2.25	40⅝	Russell, Ky	24.6	**Orin E Atkins**
94,215	13,530	NYSE	DG	3.86	1.55	24½	New York, NY	49.8	**William P Arnold**
24,923	5,248	NASDAQ	ABAN	2.98	0.86	14½	Jacksonville, Fla	2.8	**Billy J Walker**

All share data adjusted for stock splits and stock dividends through May 11, 1981.

THE DIMENSIONS OF AMERICAN BUSINESS

Where they rank 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
36	15	10	9	**Atlantic Richfield (Dec)**	16,604,844	23,744,302	15,125,699	1,651,423
■	■	343	■	**Automatic Data Processing (June)**	356,699	454,934	770,616	38,249
113	278	491	274	**Avco (Nov)**	5,843,526	2,149,906	492,275	112,196
■	423	335	403	**Avnet (June)**	619,040	1,266,804	786,267	71,702
■	229	106	106	**Avon Products (Dec)**	1,571,400	2,569,100	2,052,721	241,300
259	■	■	■	**Bache Group (July)**	2,965,953	621,957	236,705	26,752
■	358	60	219	**Baker International (Sept)**	1,401,889	1,547,444	3,244,163	138,627
318	■	■	492	**Baldwin-United (Dec)**	2,590,876	939,571	427,808	53,652
■	■	439	494	**Bally Manufacturing (Dec)**	658,653	679,113	586,776	53,469
250	432	404	216	**Baltimore Gas & Electric (Dec)**	3,073,013	1,226,442	645,628	139,399
281	■	■	■	**Banc One (Dec)**	2,823,728	300,218	222,300	32,849
190	■	■	■	**BanCal Tri-State (Dec)**	3,851,924	397,149	117,504	16,976
310	■	■	■	**Banco Popular de Puerto Rico (Dec)**	2,630,127	280,595	67,500	23,463
147	■	■	■	**BancOhio (Dec)**	5,002,103	511,712	116,667	7,959
349	■	■	■	**Bancorp Hawaii (Dec)**	2,342,951	240,520	119,067	25,076
59	464	■	■	**Bank of New York (Dec)**	10,422,805	1,101,876	232,061	48,767
336	■	■	■	**Bank of Virginia (Dec)**	2,403,117	282,104	65,317	12,351
3	29	40	28	**BankAmerica (Dec)**	111,617,294	12,074,540	4,453,798	643,443
13	150	350	127	**Bankers Trust New York (Dec)**	34,201,630	3,693,294	761,131	213,800
159	■	■	■	**Barnett Banks of Florida (Dec)**	4,430,818	434,769	252,225	37,693
■	■	369	■	**Bausch & Lomb (Dec)**	413,392	582,681	734,886	52,333
■	394	133	234	**Baxter Travenol Laboratories (Dec)**	1,412,638	1,374,384	1,843,011	128,400
237	■	■	■	**BayBanks (Dec)**	3,207,268	307,177	108,807	26,545
180	49	129	80	**Beatrice Foods (Feb)**	3,980,279	8,290,509	1,875,451	290,140
■	■	359	■	**Beckman Instruments (June)**	534,175	549,272	750,775	36,557
■	■	257	436	**Becton, Dickinson (Sept)**	841,441	942,031	1,051,375	64,694
■	■	346	378	**Belco Petroleum (Dec)**	1,001,303	836,933	765,055	77,893
266	140	185	149	**Bendix (Sept)**	2,923,500	3,861,700	1,358,711	191,600
70	230	■	323	**[5]Beneficial Corp (Dec)**	8,299,700	2,568,900	484,553	92,800
139	61	231	252	**Bethlehem Steel (Dec)**	5,206,800	6,743,000	1,152,007	121,000
■	■	194	343	**Big Three Industries (Dec)**	815,048	659,121	1,312,602	86,604
■	377	340	331	**Black & Decker Manufacturing (Sept)**	1,183,219	1,438,299	772,981	90,056
■	389	■	423	**Blue Bell (Sept)**	868,774	1,397,760	324,680	67,910
394	■	■	■	**Boatmen's Bancshares (Dec)**	2,073,289	182,926	71,990	15,641
108	40	45	31	**Boeing (Dec)**	5,931,300	9,426,200	4,252,017	600,500
302	194	289	223	**Boise Cascade (Dec)**	2,679,190	3,018,940	908,612	136,270
307	115	347	201	**Borden (Dec)**	2,643,294	4,595,795	764,286	147,863
437	222	291	239	**Borg-Warner (Dec)**	1,901,600	2,673,300	895,698	126,100
■	497	■	■	**Borman's (Jan)**	145,535	1,000,795	9,845	33
460	■	■	428	**Boston Edison (Dec)**	1,784,124	886,396	299,452	66,758
■	374	■	■	**Braniff International (Dec)**	1,107,368	1,452,130	100,095	–131,436
376	179	59	93	**Bristol-Myers (Dec)**	2,209,400	3,158,300	3,322,735	270,600
451	■	■	■	**Broadview Financial (Dec)**	1,858,075	166,375	21,183	–2,173
■	■	381	■	**Brown-Forman Distillers (Apr)**	461,338	423,391	693,803	50,388
■	433	■	■	**Brown Group (Oct)**	538,578	1,220,884	226,858	44,970
■	438	■	■	**Brunswick (Dec)**	924,331	1,199,709	313,317	23,928
■	■	483	■	**Bucyrus-Erie (Dec)**	625,544	511,293	502,695	48,234
386	204	479	364	**Burlington Industries (Sept)**	2,117,341	2,900,649	505,494	81,330
135	136	87	121	**Burlington Northern (Dec)**	5,267,005	3,953,640	2,396,681	222,874
189	209	93	362	**Burroughs (Dec)**	3,854,694	2,857,186	2,236,351	81,972

■ Not on 500 list

[5] Figures include unconsolidated subsidiaries.

A SUMMARY OF THE 500's RANKINGS

	Share Data: 1980								
Cash flow ($000)	Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec 31)	Corporate headquarters	Number of employees (000)	Chief executive
3,247,166	237,732	NYSE	ARC	6.64	1.80	63⅝	Los Angeles, Cal	53.4	**Robert O Anderson**
74,268	15,568	NYSE	AUD	2.49	0.70	49½	Clifton, NJ	11.9	**Frank R Lautenberg**
245,039	16,975	NYSE	AV	6.16	1.20	29	Greenwich, Conn	26.9	**James R Kerr**
79,305	15,417	NYSE	AVT	4.57	0.90	51	New York, NY	12.0	**Anthony R Hamilton**
290,100	60,153	NYSE	AVP	4.01	2.95	34⅛	New York, NY	34.3	**David W Mitchell**
30,923	10,883	NYSE	BAC	2.82	0.70	21¼	New York, NY	7.6	**Harry A Jacobs Jr**
225,005	66,718	NYSE	BKO	2.11	0.38	48⅝	Orange, Cal	21.7	**Earnest H Clark Jr**
358,526	9,863	NYSE	BDW	5.45	1.35	43⅜	Cincinnati, Ohio	10.0	**Morley P Thompson**
96,192	25,512	NYSE	BLY	2.01	0.10	23	Chicago, Ill	9.7	**Robert Mullane**
281,795	32,690	NYSE	BGE	3.64	2.47	19¾	Baltimore, Md	8.7	**Bernard C Trueschler**
50,446	6,840	NASDAQ	BONE	4.76	1.64	32½	Columbus, Ohio	3.1	**John G McCoy**
22,654	4,608	NYSE	BNC	3.64	1.07	25½	San Francisco, Cal	3.3	**Chauncey E Schmidt**
39,911	3,000	NASDAQ	BPOP	7.82	1.45	22½	San Juan, PR	3.4	**Rafael Carrion Jr**
40,509	8,046	NASDAQ	BOHI	0.99	1.40	14½	Columbus, Ohio	6.0	**Arthur D Herrmann**
39,691	7,384	NASDAQ	BNHI	3.35	0.96	16⅛	Honolulu, Haw	2.7	**Frank J Manaut**
77,429	6,678	NYSE	BK	7.49	2.79	34¼	New York, NY	7.2	**Elliott Averett**
32,880	5,332	NYSE	BKV	2.24	1.16	12¼	Richmond, Va	3.3	**Frederick Deane Jr**
1,053,052	147,233	NYSE	BAM	4.38	1.41	30¼	San Francisco, Cal	82.3	**Samuel H Armacost**
323,796	24,652	NYSE	BT	8.65	1.65	30⅞	New York, NY	12.2	**Alfred Brittain III**
63,757	8,550	NYSE	BBF	4.42	1.10	29½	Jacksonville, Fla	7.0	**Charles E Rice**
63,624	11,853	NYSE	BOL	4.36	1.14	62	Rochester, NY	11.6	**Daniel G Schuman**
181,645	34,856	NYSE	BAX	3.72	0.64	52⅞	Deerfield, Ill	32.7	**Vernon R Loucks Jr**
43,322	2,981	NASDAQ	BBNK	8.82	2.65	36½	Boston, Mass	4.2	**William M Crozier Jr**
455,530	97,426	NYSE	BRY	2.81	1.28	19¼	Chicago, Ill	88.0	**James L Dutt**
57,114	20,360	NYSE	BEC	1.83	0.33	36⅞	Fullerton, Cal	12.1	**Arnold O Beckman**
103,358	20,122	NYSE	BDX	3.14	0.94	52¼	Paramus, NJ	20.6	**Wesley J Howe**
152,807	23,096	NYSE	BPC	3.35	0.53	33⅛	New York, NY	1.9	**Arthur B Belfer**
241,800	23,029	NYSE	BX	7.68	2.88	59	Southfield, Mich	78.5	**William M Agee**
419,000	22,151	NYSE	BNL	3.40	2.00	21⅞	Wilmington, Del	24.9	**Finn M W Caspersen**
443,500	43,678	NYSE	BS	2.77	1.60	26⅝	Bethlehem, Pa	89.2	**Donald H Trautlein**
153,464	42,342	NYSE	BIG	2.05	0.45	31	Houston, Tex	5.5	**Harry K Smith**
159,393	42,067	NYSE	BDK	2.14	0.76	18⅜	Towson, Md	20.8	**Francis P Lucier**
93,293	12,548	NYSE	BBL	5.40	1.80	25⅞	Greensboro, NC	35.0	**L Kimsey Mann**
22,470	3,103	NASDAQ	BOAT	5.09	1.60	23¼	St Louis, Mo	1.7	**Donald N Brandin**
910,200	96,363	NYSE	BA	6.23	1.40	44⅛	Seattle, Wash	106.3	**Thornton A Wilson**
237,249	26,626	NYSE	BCC	5.11	1.69	34⅛	Boise, Ida	32.3	**John B Fery**
277,008	29,681	NYSE	BN	4.79	1.88	25¾	New York, NY	38.4	**Eugene J Sullivan**
159,700	20,952	NYSE	BOR	5.85	2.35	42¾	Chicago, Ill	55.2	**James F Bere**
8,059	2,917	NYSE	BRF	0.01	0.20	3⅜	Detroit, Mich	8.5	**Paul Borman**
135,423	13,928	NYSE	BSE	3.75	2.72	21½	Boston, Mass	4.0	**Thomas J Galligan Jr**
–106,180	20,019	NYSE	BNF	–6.57	0.10	5	Dallas, Tex	14.2	**John J Casey**
326,800	65,960	NYSE	BMY	4.08	1.56	50⅝	New York, NY	35.0	**Richard L Gelb**
77,214	2,973	NASDAQ	BDVF	–0.73	0.44	7⅛	Cleveland, Ohio	0.7	**John E Rupert**
57,895	12,586	ASE	BFD B	3.97	1.30	55⅛	Louisville, Ky	2.0	**W L Lyons Brown Jr**
62,534	7,318	NYSE	BG	6.16	2.03	31	St Louis, Mo	25.0	**W L Hadley Griffin**
77,299	20,214	NYSE	BC	1.01	0.88	15½	Skokie, Ill	25.0	**K Brooks Abernathy**
64,365	20,414	NYSE	BY	2.36	0.88	24⅝	South Milwaukee, Wisc	5.4	**Norris K Ekstrom**
232,992	28,083	NYSE	BUR	2.90	1.40	18	Greensboro, NC	66.0	**William A Klopman**
394,274	37,230	NYSE	BNI	7.55	1.15	64⅜	St Paul, Minn	56.7	**Richard M Bressler**
347,679	41,510	NYSE	BGH	1.99	2.50	53⅞	Detroit, Mich	57.3	**W Michael Blumenthal**

All share data adjusted for stock splits and stock dividends through May 11, 1981

Where they rank: 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
■	388	278	195	**Cabot (Sept)**	1,160,753	1,403,743	961,482	152,742
196	■	■	■	**California First Bank (Dec)**	3,620,903	381,567	74,186	18,238
■	■	134	377	**Cameron Iron Works (June)**	810,786	697,352	1,831,781	78,259
489	232	266	226	**Campbell Soup (July)**	1,627,565	2,560,569	1,003,749	134,582
■	460	■	■	**Campbell Taggart (Dec)**	443,601	1,113,147	257,959	36,247
■	■	354	408	**Capital Cities Communications (Dec)**	519,958	472,108	757,993	70,783
316	■	486	334	**Capital Holding (Dec)**	2,605,295	548,693	495,385	89,518
499	173	264	192	**Carnation (Dec)**	1,590,628	3,236,222	1,012,848	154,748
172	475	285	183	**Carolina Power & Light (Dec)**	4,241,607	1,075,604	928,145	161,388
487	224	■	460	**Carter Hawley Hale Stores (Jan)**	1,651,368	2,632,921	484,100	58,082
■	328	■	■	**Castle & Cooke (Dec)**	1,264,086	1,733,501	292,710	32,094
106	44	35	34	**Caterpillar Tractor (Dec)**	6,098,210	8,597,787	5,016,594	564,785
■	■	234	417	**CBI Industries (Dec)**	780,267	682,261	1,144,704	68,455
358	135	192	144	**CBS (Dec)**	2,301,215	3,962,882	1,327,880	192,969
240	■	■	■	**CBT (Dec)**	3,174,794	330,240	91,619	20,398
309	165	333	250	**Celanese (Dec)**	2,634,000	3,348,000	787,270	122,000
■	480	450	■	**Centex (Mar)**	896,415	1,057,362	559,215	33,634
173	329	263	154	**Central & South West (Dec)**	4,219,589	1,731,327	1,026,665	185,009
365	■	■	■	**Central Bancorporation (Dec)**	2,264,377	221,919	95,685	17,729
397	■	■	■	**Central Bancshares of the South (Dec)**	2,063,944	212,403	79,432	19,025
433	■	■	■	**Central Fidelity Banks (Dec)**	1,909,336	192,832	64,705	14,998
■	491	250	363	**Central Louisiana Energy (Dec)**	1,042,139	1,013,037	1,094,256	81,672
■	322	■	■	**Central Soya (Aug)**	658,540	1,744,445	237,469	34,758
444	■	407	325	**Central Telephone & Utilities (Dec)**	1,889,581	893,628	641,288	92,542
200	■	■	■	**Centran (Dec)**	3,565,103	351,468	105,757	24,085
■	499	498	■	**Cessna Aircraft (Sept)**	583,026	1,000,061	485,310	28,122
224	148	189	180	**Champion International (Dec)**	3,339,518	3,752,718	1,335,863	164,045
470	117	■	■	**Charter (Dec)**	1,746,260	4,518,114	421,044	50,237
4	55	161	60	**Chase Manhattan (Dec)**	76,189,567	8,002,583	1,563,678	354,178
10	120	409	167	**Chemical New York (Dec)**	41,342,220	4,299,897	639,205	173,451
■	393	287	305	**Chesebrough-Pond's (Dec)**	921,468	1,380,396	913,078	100,203
■	367	■	■	**Chromalloy American (Dec)**	979,076	1,518,004	301,172	44,441
93	42	■	■	**Chrysler (Dec)**	6,617,800	9,225,300	326,493	–1,709,700
292	413	496	286	**Chubb (Dec)**	2,745,528	1,291,850	485,890	105,447
367	■	■	332	**Cincinnati Gas & Electric (Dec)**	2,262,268	955,035	479,994	89,981
■	■	370	386	**Cincinnati Milacron (Dec)**	626,696	816,402	733,883	75,644
2	19	64	40	**Citicorp (Dec)**	114,920,000	14,211,000	2,973,899	499,000
131	57	49	42	**Cities Service (Dec)**	5,358,000	7,786,300	3,977,002	477,500
164	■	■	■	**[7]Citizens & Southern Georgia (Dec)**	4,340,720	460,348	248,607	35,519
412	■	■	■	**Citizens Fidelity (Dec)**	1,992,892	196,865	136,291	17,678
351	■	■	■	**City Federal Savings & Loan Assn (Dec)**	2,337,297	219,813	33,000	3,349
74	82	397	288	**City Investing (Dec)**	7,688,809	5,386,178	669,037	104,518
■	359	■	493	**Clark Equipment (Dec)**	1,042,330	1,539,299	407,232	53,506
■	349	■	■	**Clark Oil & Refining (Dec)**	486,873	1,623,208	394,540	43,920
249	■	393	240	**Cleveland Electric Illuminating (Dec)**	3,094,462	893,566	676,977	125,383
176	92	268	279	**Coastal Corp (Dec)**	4,112,631	5,115,368	996,599	109,524
215	74	48	48	**Coca-Cola (Dec)**	3,405,958	5,912,595	4,124,783	422,108
319	91	219	168	**Colgate-Palmolive (Dec)**	2,578,134	5,130,464	1,198,241	173,225
■	■	■	497	**Colonial Penn Group (Dec)**	1,035,183	799,757	262,015	53,126
■	276	434	307	**Colt Industries (Dec)**	1,438,153	2,165,602	590,965	97,751

■Not on 500 list

[7] Formerly Citizens & Southern National Bank

A SUMMARY OF THE 500's RANKINGS

Cash flow ($000)	Share data 1980 Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec. 31)	Corporate headquarters	Number of employees (000)	Chief executive
164,249	31,524	NYSE	CBT	4.88	0.73	30½	Boston, Mass	7.6	**Robert A Charpie**
33,697	5,762	NASDAQ	CFBK	3.17	1.08	12⅞	San Francisco, Cal	3.7	**Yasushi Sumiya**
112,429	30,403	NYSE	CTW	2.61	0.28	60¼	Houston, Tex	9.7	**Myron A Wright**
209,509	32,379	NYSE	CPB	4.08	1.90	31	Camden, NJ	38.0	**R Gordon McGovern**
74,898	11,095	NYSE	CTI	3.27	1.17	23¾	Dallas, Tex	23.0	**C B Lane**
86,589	12,902	NYSE	CCB	5.38	0.20	58¾	New York, NY	6.3	**Thomas S Murphy**
202,545	27,909	NYSE	CPH	3.20	1.08	17¾	Louisville, Ky	6.6	**Thomas C Simons**
203,011	36,999	NYSE	CMK	4.15	1.66	27⅝	Los Angeles, Cal	22.4	**H Everett Olson**
323,619	51,208	NYSE	CPL	2.73	2.16	18⅛	Raleigh, NC	6.4	**Sherwood H Smith Jr**
132,066	26,526	NYSE	CHH	2.11	1.15	18¼	Los Angeles, Cal	55.0	**Philip M Hawley**
85,560	25,453	NYSE	CKE	1.12	0.80	11½	Honolulu, Haw	43.0	**Donald J Kirchhoff**
955,247	86,493	NYSE	CAT	6.53	2.33	58	Peoria, Ill	86.4	**Lee L Morgan**
118,231	17,886	NYSE	CBH	3.81	1.35	64	Oak Brook, Ill	11.0	**Marvin G Mitchell**
262,817	27,882	NYSE	CBS	6.92	2.80	47⅝	New York, NY	35.6	**Thomas H Wyman**
34,738	3,558	NASDAQ	CBCT	5.96	1.88	25¾	Hartford, Conn	3.7	**Walter J Connolly Jr**
320,000	14,314	NYSE	CZ	8.20	3.50	55	New York, NY	32.8	**John D Macomber**
79,709	13,158	NYSE	CTX	2.90	0.25	42½	Dallas, Tex	7.3	***Frank M Crossen**
358,974	79,741	NYSE	CSR	2.45	1.50	12⅞	Dallas, Tex	8.3	**Durwood Chalker**
30,306	5,243	NASDAQ	CBAN	3.38	1.90	18¼	Cincinnati, Ohio	2.6	**Oliver W Birckhead**
31,766	6,689	NASDAQ	CBSS	2.84	0.80	11⅞	Birmingham, Ala	2.2	**Harry B Brock Jr**
23,187	5,282	NASDAQ	CFBS	2.73	1.00	12¾	Richmond, Va	2.6	**Carroll L Saine**
139,601	21,456	NYSE	CEL	3.95	1.00	51	Lafayette, La	1.3	**Gale L Galloway**
66,411	15,198	NYSE	CSY	2.38	0.84	15⅝	Fort Wayne, Ind	10.5	**Douglas G Fleming**
253,111	26,175	NYSE	CTU	3.51	2.00	24½	Chicago, Ill	13.1	**Robert P Reuss**
39,362	3,881	NASDAQ	CENB	6.21	2.40	27¾	Cleveland, Ohio	2.6	**John A Gelbach**
45,361	18,847	NYSE	CEA	1.51	0.50	25¾	Wichita, Kan	18.0	**Russell W Meyer**
405,092	54,525	NYSE	CHA	2.94	1.42	24½	Stamford, Conn	41.9	**Andrew C Sigler**
103,364	21,592	NYSE	CHR	1.59	0.85	19½	Jacksonville, Fla	10.5	**Raymond K Mason**
608,791	32,492	NYSE	CMB	10.15	2.80	48⅛	New York, NY	33.5	**Willard C Butcher**
290,825	14,996	NYSE	CHL	11.05	3.40	42⅞	New York, NY	17.9	**Donald C Platten**
129,114	32,465	NYSE	CBM	3.10	1.28	28⅛	Greenwich, Conn	20.6	**Ralph E Ward**
78,820	14,008	NYSE	CRO	2.84	1.10	21½	Clayton, Mo	23.9	**Frank P Nykiel**
–1,102,700	66,973	NYSE	C	–26.00	none	4⅞	Highland Park, Mich	92.6	**Lee A Iacocca**
165,882	12,301	NASDAQ	CHUB	8.53	2.40	39½	New York, NY	7.6	**Henry U Harder**
119,338	31,475	NYSE	CIN	2.25	2.02	15¼	Cincinnati, Ohio	5.0	**William H Dickhoner**
103,230	22,581	NYSE	CMZ	3.35	0.65	32½	Cincinnati, Ohio	13.8	**James A D Geier**
883,000	122,635	NYSE	FNC	4.02	1.39	24¾	New York, NY	53.7	**Walter B Wriston**
1,001,600	83,288	NYSE	CS	5.73	1.53	47¾	Tulsa, Okla	18.9	**Charles J Waidelich**
65,570	28,824	NASDAQ	CSGA	1.23	0.32	8⅜	Atlanta, Ga	5.6	**Bennett A Brown**
30,660	7,468	NASDAQ	CFDY	2.37	0.78	18¼	Louisville, Ky	1.8	**J David Grissom**
114,762	3,000	NASDAQ	CTYF	1.03	0.30	11	Elizabeth, NJ	1.2	**Gilbert G Roessner**
446,375	31,118	NYSE	CNV	3.42	1.43	21½	New York, NY	67.3	**George T Scharffenberger**
74,609	12,726	NYSE	CKL	4.18	2.20	32	Buchanan, Mich	17.0	**Bert E Phillips**
59,566	14,282	NYSE	CKO	3.03	0.80	27⅝	Milwaukee, Wisc	7.2	**Robert G Reed III**
181,116	46,289	NYSE	CVX	2.26	2.00	14⅝	Cleveland, Ohio	5.0	**Robert M Ginn**
290,516	21,490	NYSE	CGP	4.63	0.50	46⅜	Houston, Tex	6.5	**Oscar S Wyatt Jr**
627,103	123,589	NYSE	KO	3.42	2.16	33⅜	Atlanta, Ga	41.1	**Robert C Goizueta**
270,578	81,931	NYSE	CL	2.12	1.09	14⅝	New York, NY	48.2	**Keith Crane**
170,736	16,124	NYSE	CPG	3.29	1.40	16¼	Philadelphia, Pa	4.5	**John J MacWilliams**
155,675	13,060	NYSE	COT	7.38	2.90	45¼	New York, NY	31.3	**George A Strichman**

All share data adjusted for stock splits and stock dividends through May 11, 1981

*Office jointly held with Paul R. Seegers

Where they rank: 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profit ($000)
188	154	190	170	**Columbia Gas System (Dec)**	3,861,861	3,636,507	1,333,523	170,791
■	■	■	313	**[8]Combined International (Dec)**	1,286,896	756,989	477,796	95,615
339	180	163	263	**Combustion Engineering (Dec)**	2,393,284	3,146,455	1,536,480	116,672
288	■	■	■	**Commerce Bancshares (Dec)**	2,765,231	279,101	108,091	27,141
■	425	■	■	**Commercial Metals (Aug)**	219,504	1,261,572	75,180	18,368
53	167	114	56	**Commonwealth Edison (Dec)**	11,134,874	3,324,043	1,962,938	382,003
■	415	■	■	**Commonwealth Oil Refining (Dec)**	613,204	1,284,442	58,125	–14,951
■	■	252	■	**Computervision (Dec)**	167,479	224,207	1,077,332	23,321
35	85	123	70	**[9]Connecticut General (Dec)**	16,741,582	5,279,438	1,921,799	316,696
54	17	21	15	**Conoco (Dec)**	11,036,275	18,301,483	7,049,452	1,026,195
76	137	158	66	**Consolidated Edison (Dec)**	7,459,681	3,947,165	1,566,876	334,676
366	83	382	237	**Consolidated Foods (June)**	2,263,443	5,342,860	692,280	127,682
■	346	■	■	**Consolidated Freightways (Dec)**	784,060	1,653,604	322,298	41,898
296	238	247	256	**Consolidated Natural Gas (Dec)**	2,735,230	2,503,054	1,102,735	118,488
■	■	■	500	**Consolidated Papers (Dec)**	386,899	510,289	346,655	52,573
101	255	279	119	**Consumers Power (Dec)**	6,276,596	2,303,983	958,165	223,798
441	■	■	■	**Continental Bank (Dec)**	1,892,955	198,075	103,602	19,839
72	162	209	146	**Continental Corp (Dec)**	8,215,970	3,419,046	1,224,609	192,505
133	76	254	118	**[5]Continental Group (Dec)**	5,321,400	5,656,900	1,070,557	224,200
9	113	207	116	**Continental Illinois (Dec)**	42,089,408	4,716,150	1,229,313	225,941
236	421	302	246	**Continental Telephone (Dec)**	3,207,552	1,267,724	877,086	122,932
94	142	196	213	**[5]Control Data (Dec)**	6,567,700	3,808,500	1,302,629	141,000
493	309	152	204	**Cooper Industries (Dec)**	1,613,375	1,842,173	1,623,573	146,672
■	■	457	434	**Adolph Coors (Dec)**	894,385	887,897	551,439	64,977
■	363	251	267	**Corning Glass Works (Dec)**	1,499,624	1,529,670	1,091,913	114,720
■	■	367	469	**Cox Broadcasting (Dec)**	461,345	309,232	739,946	56,399
353	130	166	139	**CPC International (Dec)**	2,328,261	4,120,331	1,502,424	197,404
■	365	■	■	**Crane (Dec)**	1,004,117	1,527,600	453,691	42,596
■	■	401	■	**Cray Research (Dec)**	104,508	60,748	659,115	10,900
29	294	477	311	**Crocker National (Dec)**	19,062,665	2,006,306	509,318	95,735
■	■	389	■	**Crouse-Hinds (Dec)**	401,174	753,566	680,526	42,307
■	422	■	■	**Crown Central Petroleum (Dec)**	546,440	1,266,898	169,476	19,147
■	372	■	396	**Crown Cork & Seal (Dec)**	873,056	1,459,790	413,424	73,196
343	187	205	308	**Crown Zellerbach (Dec)**	2,372,700	3,066,600	1,241,067	97,400
186	298	338	184	**Crum & Forster (Dec)**	3,896,211	1,931,833	782,061	161,348
75	104	117	86	**CSX (Dec)**	7,523,101	4,841,350	1,950,922	281,607
382	■	■	■	**Cullen/Frost Bankers (Dec)**	2,139,153	215,059	107,009	13,845
■	343	■	■	**Cummins Engine (Dec)**	1,117,897	1,666,642	253,556	–10,987
426	237	352	312	**Dana (Aug)**	1,935,460	2,524,008	758,257	95,727
152	41	89	55	**Dart & Kraft (Dec)**	4,650,300	9,411,500	2,368,140	383,100
■	■	392	483	**Data General (Sept)**	642,523	653,887	678,513	54,690
■	■	230	■	**Datapoint (July)**	223,623	318,826	1,154,579	33,478
480	■	■	435	**Dayton Power & Light (Dec)**	1,685,044	650,000	326,610	64,771
381	132	258	203	**Dayton-Hudson (Jan)**	2,155,234	4,033,536	1,043,569	146,719
448	■	■	■	**Dean Witter Reynolds Organization (Aug)**	1,869,939	706,958	243,501	36,012
140	79	62	114	**Deere (Oct)**	5,202,424	5,469,825	3,005,136	228,271
■	■	398	■	**DEKALB AgResearch (Aug)**	803,011	545,232	666,230	43,571
■	■	423	■	**Delhi International Oil (Dec)**	84,507	27,138	614,738	4,784
402	200	225	320	**Delta Air Lines (June)**	2,042,539	2,956,960	1,172,979	93,158
■	■	426	■	**Deluxe Check Printers (Dec)**	259,009	428,488	610,542	44,456

■ Not on 500 list

[5] Figures include unconsolidated subsidiaries.

[8] Formerly Combined Insurance Company of America.

[9] Formerly Connecticut General Insurance.

A SUMMARY OF THE 500's RANKINGS

Cash flow ($000)	Share data: 1980 Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec 31)	Corporate headquarters	Number of employees (000)	Chief executive
393,161	33,131	NYSE	CG	5.02	2.56	40¼	Wilmington, Del	11.4	**W Frederick Laird**
183,488	27,109	NYSE	PMA	3.53	1.45	17⅝	Chicago, Ill	3.7	**Clement Stone**
194,757	32,954	NYSE	CSP	3.56	1.30	46⅝	Stamford, Conn	46.3	**Arthur J Santry Jr**
44,874	4,858	NASDAQ	CBSH	5.62	1.60	22¼	Kansas City, Mo	3.2	**James M Kemper Jr**
28,678	4,296	ASE	CMC	4.13	0.40	17½	Dallas, Tex	2.7	**Stanley A Rabin**
691,706	108,300	NYSE	CWE	2.97	2.60	18⅛	Chicago, Ill	16.4	**James J O'Connor**
2,499	15,000	PAC	QCWO	−1.10	none	3⅞	San Antonio, Tex	1.4	**C Howard Hardesty Jr**
31,077	13,383	NYSE	CVN	1.80	none	80½	Bedford, Mass	3.0	**Martin Allen**
1,163,217	41,329	NYSE	CGN	7.66	1.47	46½	Hartford, Conn	14.2	**Robert D Kilpatrick**
1,832,048	107,831	NYSE	CLL	9.52	2.13	65⅛	Stamford, Conn	41.0	**Ralph E Bailey**
631,915	62,990	NYSE	ED	4.67	2.68	24⅞	New York, NY	23.2	**Charles F Luce**
286,896	28,845	NYSE	CFD	4.12	1.76	24	Chicago, Ill	88.6	**John H Bryan Jr**
101,914	13,155	NYSE	CNF	3.20	1.38	24½	Palo Alto, Cal	23.4	**Raymond F O'Brien**
278,304	19,780	NYSE	CNG	5.73	3.24	55¼	Pittsburgh, Pa	7.5	**George J Tankersley**
79,295	10,749	NASDAQ	CPER	4.91	1.95	32¾	Wisconsin Rapids, Wisc	5.3	**George W Mead**
305,825	57,634	NYSE	CMS	3.08	2.36	16⅝	Jackson, Mich	12.6	**John D Selby**
33,061	4,456	NASDAQ	CBTN	4.46	1.79	23¾	Norristown, Pa	1.6	**Roy T Peraino**
565,328	50,761	NYSE	CIC	3.74	2.20	24⅛	New York, NY	22.9	**John B Ricker Jr**
440,500	32,814	NYSE	CCC	6.09	2.40	32⅝	Stamford, Conn	58.3	**S Bruce Smart Jr**
380,757	39,338	NYSE	CIL	5.75	1.65	31¼	Chicago, Ill	12.3	**Roger E Anderson**
375,124	55,688	NYSE	CTC	2.13	1.38	15¾	Atlanta, Ga	19.5	**Charles Wohlstetter**
298,700	18,477	NYSE	CDA	7.90	0.55	70½	Minneapolis, Minn	57.1	**William C Norris**
194,024	30,206	NYSE	CBE	4.26	1.08	53¼	Houston, Tex	24.8	**Robert Cizik**
133,298	35,012	NASDAQ	ACCOB	1.86	0.28	15¾	Golden, Colo	9.5	**William K Coors**
148,753	18,313	NYSE	GLW	6.26	2.17	59⅝	Corning, NY	28.8	**Amory Houghton Jr**
92,818	13,515	NYSE	COX	4.17	0.45	54¾	Atlanta, Ga	4.2	**Clifford M Kirtland Jr**
280,658	23,848	NYSE	CPC	8.28	3.30	63	Englewood Cliffs, NJ	40.5	**James W McKee Jr**
127,457	10,341	NYSE	CR	4.12	1.57	43⅞	New York, NY	19.3	**Thomas M Evans**
21,643	13,590	NYSE	CYR	0.85	none	48½	Mendota Heights, Minn	0.7	**John A Rollwagen**
203,650	13,719	NYSE	CKN	6.76	2.15	37⅛	San Francisco, Cal	15.7	**Thomas R Wilcox**
57,179	17,676	NYSE	CHI	2.50	0.94	38½	Syracuse, NY	12.5	**Chris J Witting**
51,089	5,844	ASE	CNP A	2.82	1.46	29	Baltimore, Md	1.5	**Henry A Rosenberg Jr**
121,950	14,570	NYSE	CCK	4.98	none	28⅛	Philadelphia, Pa	15.2	**John F Connelly**
273,500	25,589	NYSE	ZB	3.46	2.20	48½	San Francisco, Cal	31.1	**Charles R Dahl**
364,897	28,056	NYSE	CMF	5.74	1.35	27⅞	New York, NY	9.7	**B P Russell**
544,939	40,857	NYSE	CSX	7.13	2.50	47¼	Richmond, Va	70.0	**Prime F Osborn III**
24,106	4,291	NASDAQ	CFBI	2.44	0.81	24⅞	San Antonio, Tex	1.9	**Thomas C Frost**
51,717	8,382	NYSE	CUM	−1.31	1.80	30¼	Columbus, Ind	22.5	**Henry B Schacht**
155,626	35,474	NYSE	DCN	2.78	1.59	21⅜	Toledo, Ohio	37.3	**Gerald B Mitchell**
561,100	54,440	NYSE	DKI	7.03	0.80	43½	Glenview, Ill	80.0	**John M Richman**
85,908	10,300	NYSE	DGN	5.20	none	65⅞	Westboro, Mass	13.9	**Edson D deCastro**
63,668	19,364	NYSE	DPT	1.91	none	59⅝	San Antonio, Tex	5.5	**Harold E O'Kelley**
82,795	27,504	NYSE	DPL	1.85	1.74	11⅞	Dayton, Ohio	3.9	**Robert E Frazer**
214,769	23,853	NYSE	DH	6.16	1.85	43¾	Minneapolis, Minn	40.0	**William A Andres**
73,797	10,199	NYSE	DWR	2.85	0.64	23⅞	San Francisco, Cal	9.3	**Andrew J Melton Jr**
389,483	62,607	NYSE	DE	3.72	1.85	48	Moline, Ill	61.0	**William A Hewitt**
75,869	12,874	NASDAQ	DKLBB	3.60	0.72	51¾	DeKalb, Ill	4.6	**Thomas H Roberts Jr**
8,231	7,566	ASE	DLH	0.62	0.10	81¼	Dallas, Tex	0.3	**Norman C Miller**
310,683	19,881	NYSE	DAL	4.69	1.20	59	Atlanta, Ga	35.0	**David C Garrett Jr**
57,768	11,412	NYSE	DLX	3.90	1.50	53½	St Paul, Minn	9.5	**Eugene R Olson**

All share data adjusted for stock splits and stock dividends through May 11, 1981

Where they rank: 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
484	■	■	■	**Deposit Guaranty (Dec)**	1,668,809	162,528	75,378	12,858
117	312	286	151	**Detroit Edison (Dec)**	5,741,686	1,812,514	913,859	188,566
121	■	■	■	**DETROITBANK (Dec)**	5,667,781	528,066	170,142	34,787
■	416	485	■	**Diamond International (Dec)**	943,305	1,282,604	497,636	40,588
286	181	112	137	**Diamond Shamrock (Dec)**	2,793,048	3,143,040	1,989,136	201,214
303	246	42	102	**Digital Equipment (June)**	2,666,068	2,368,045	4,363,445	249,861
■	399	■	■	**Dillingham (Dec)**	794,016	1,361,935	235,026	38,175
■	285	■	■	**Dillon Companies (June)**	434,943	2,077,265	259,853	27,397
■	■	145	224	**Walt Disney Productions (Sept)**	1,347,407	914,505	1,658,860	135,186
323	■	■	■	**Dominion Bankshares (Dec)**	2,525,876	257,124	124,699	20,237
206	■	■	■	**Donaldson, Lufkin & Jenrette (Dec)**	3,474,451	485,099	76,392	8,750
■	461	400	414	**R R Donnelley & Sons (Dec)**	771,749	1,111,258	660,451	68,961
■	■	482	■	**Dorchester Gas (Aug)**	336,294	608,760	504,000	34,919
■	■	241	395	**Dover (Dec)**	474,945	835,167	1,121,845	73,213
48	33	28	19	**Dow Chemical (Dec)**	11,538,000	10,626,000	5,869,302	805,000
■	■	282	456	**Dow Jones (Dec)**	396,604	530,700	950,197	58,883
■	459	■	■	**Dravo (Dec)**	684,742	1,113,925	396,958	21,562
270	133	47	96	**Dresser Industries (Oct)**	2,897,300	4,016,300	4,184,235	261,100
99	340	160	73	**Duke Power (Dec)**	6,328,174	1,682,822	1,564,079	311,091
■	446	156	297	**Dun & Bradstreet (Dec)**	770,137	1,176,127	1,594,974	102,742
65	21	25	22	**E I du Pont de Nemours (Dec)**	9,560,000	13,652,000	6,155,268	716,000
330	■	478	321	**Duquesne Light (Dec)**	2,443,463	689,465	507,096	92,962
283	161	■	■	**Eastern Air Lines (Dec)**	2,816,177	3,452,542	182,399	–42,012
■	496	399	482	**Eastern Gas & Fuel Associates (Dec)**	1,020,462	1,002,727	661,518	54,768
68	39	14	13	**Eastman Kodak (Dec)**	8,746,926	9,734,303	11,258,069	1,153,579
356	176	349	265	**Eaton (Dec)**	2,302,460	3,176,466	761,663	115,784
■	357	337	413	**Jack Eckerd (July)**	549,492	1,547,753	782,199	69,254
■	■	430	■	**EG&G (Dec)**	198,846	613,093	600,062	26,310
257	155	216	■	**El Paso (Dec)**	2,990,737	3,543,436	1,202,834	–302,995
429	186	90	109	**Emerson Electric (Sept)**	1,929,417	3,066,841	2,319,356	237,723
■	313	■	426	**Emhart (Dec)**	977,000	1,802,900	358,514	67,000
■	■	303	■	**Energy Reserves Group (Dec)**	256,001	147,218	875,358	13,949
100	8	51	36	**Engelhard Minerals & Chemicals (Dec)**	6,300,756	26,569,974	3,763,494	532,743
379	219	144	198	**ENSERCH (Dec)**	2,187,288	2,694,933	1,689,614	150,162
392	■	■	■	**[S]Entex (June)**	2,091,960	970,255	324,151	35,776
274	■	■	■	**Equimark (Dec)**	2,862,796	289,963	38,349	9,551
396	■	■	■	**Equitable Bancorporation (Dec)**	2,066,087	213,285	52,318	9,361
472	■	■	■	**Equitable of Iowa (Dec)**	1,743,486	403,332	99,776	19,063
454	202	462	43	**Esmark (Oct)**	1,853,895	2,924,887	539,334	471,808
■	324	470	333	**Ethyl (Dec)**	1,208,177	1,740,627	521,912	89,682
■	381	■	■	**Evans Products (Dec)**	887,866	1,423,464	251,081	41,361
■	490	■	■	**Ex-Cell-O (Nov)**	705,410	1,020,677	386,938	50,404
6	1	3	2	**Exxon (Dec)**	56,576,558	103,142,993	34,836,531	5,650,090
■	■	■	485	**Fairchild Industries (Dec)**	808,294	906,230	418,503	54,531
■	■	284	283	**Farmers Group (Dec)**	1,412,062	480,448	945,632	106,852
■	477	■	■	**Fed-Mart (Aug)**	313,446	1,061,503	45,659	–6,330
■	■	326	■	**Federal Express (May)**	398,127	415,379	807,828	38,730
5	93	377	■	**Federal National Mortgage Assoc (Dec)**	58,470,003	5,081,466	701,919	14,208
199	67	181	90	**Federated Department Stores (Jan)**	3,575,513	6,300,686	1,379,799	277,727
■	■	418	■	**Felmont Oil (Dec)**	120,910	56,424	623,040	13,697

■ Not on 500 list

[S] Figures include unconsolidated subsidiaries.

A SUMMARY OF THE 500's RANKINGS

	Share data: 1980								
Cash flow ($000)	Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec 31)	Corporate headquarters	Number of employees (000)	Chief executive
22,012	2,956	NASDAQ	DEPS	4.35	1.50	25½	Jackson, Miss	1.5	**Warren A Hood**
331,017	84,033	NYSE	DTE	1.75	1.60	10⅞	Detroit, Mich	10.8	**William G Meese**
47,169	8,102	NASDAQ	DBNK	4.19	1.85	21	Detroit, Mich	4.1	**Rodkey Craighead**
92,485	15,195	NYSE	DN	2.68	2.20	32¾	New York, NY	18.1	**William J Koslo**
409,952	56,230	NYSE	DIA	3.66	1.62	35⅜	Dallas, Tex	12.7	**William H Bricker**
357,285	45,931	NYSE	DEC	5.45	none	95	Maynard, Mass	50.0	**Kenneth H Olsen**
66,977	13,057	NYSE	DHM	2.80	0.65	18	Honolulu, Haw	12.9	**Herbert C Cornuelle**
53,786	16,901	NYSE	DLL	1.62	1.08	15⅜	Hutchinson, Kan	24.0	**Roy E Dillon, Jr**
186,346	32,368	NYSE	DIS	4.16	0.72	51¼	Burbank, Cal	24.0	**E Cardon Walker**
32,125	8,177	NASDAQ	DMBK	2.49	1.00	15¾	Roanoke, Va	3.1	**Byron A Hicks**
9,915	8,857	NYSE	DLJ	0.97	0.15	8⅝	New York, NY	2.0	**Richard H Jenrette**
127,755	18,670	NYSE	DNY	3.70	1.14	35⅝	Chicago, Ill	14.8	**Charles W Lake Jr**
54,443	17,920	ASE	DGS	1.92	0.10	28⅛	Dallas, Tex	1.0	**George S Rooker**
91,463	17,878	NYSE	DOV	4.10	0.95	62¾	New York, NY	12.6	**Gary L Roubos**
1,597,000	182,702	NYSE	DOW	4.42	1.60	32⅛	Midland, Mich	56.8	**Paul F Oreffice**
73,673	15,577	NYSE	DJ	3.79	1.60	61	New York, NY	5.1	**Warren H Phillips**
63,785	12,470	NYSE	DRV	1.69	0.91	31⅞	Pittsburgh, Pa	14.2	**Robert Dickey III**
396,100	78,210	NYSE	DI	3.35	0.58	53½	Dallas, Tex	52.8	**John V James**
422,032	86,294	NYSE	DUK	3.08	1.95	18⅛	Charlotte, NC	19.6	**Carl Horn Jr**
139,141	27,982	NYSE	DNB	3.68	1.97	57	New York, NY	24.7	**Harrington Drake**
1,634,000	146,554	NYSE	DD	4.83	2.75	42	Wilmington, Del	135.9	**Edward G Jefferson**
151,744	40,166	NYSE	DQU	1.82	1.80	12⅝	Pittsburgh, Pa	4.5	**John M Arthur**
173,394	24,732	NYSE	EAL	−1.96	none	7⅛	Miami, Fla	40.0	**Frank Borman**
111,007	22,616	NYSE	EFU	2.45	0.96	29¼	Boston, Mass	9.5	**William J Pruyn**
1,583,137	161,406	NYSE	EK	7.15	3.05	69¾	Rochester, NY	129.5	**Walter A Fallon**
220,622	26,725	NYSE	ETN	4.35	1.72	28½	Cleveland, Ohio	54.1	**E Mandell de Windt**
90,238	23,703	NYSE	ECK	2.92	1.05	33	Largo, Fla	24.6	**Stewart Turley**
33,014	13,755	NYSE	EGG	1.93	0.40	43⅜	Wellesley, Mass	17.0	**Bernard J O'Keefe**
−155,965	47,637	NYSE	ELG	−6.40	1.48	25¼	Houston, Tex	8.3	**Travis H Petty**
319,420	63,544	NYSE	EMR	3.72	1.64	36½	St Louis, Mo	53.8	**Charles F Knight**
96,800	12,153	NYSE	EMH	5.47	2.40	29½	Farmington, Conn	33.5	**T Mitchell Ford**
41,911	48,631	NASDAQ	ERGS	0.29	none	18	Wichita, Kan	0.6	**Richard W Volk**
621,531	68,272	NYSE	ENG	7.85	1.11	55⅛	New York, NY	13.1	**Milton F Rosenthal**
286,419	33,708	NYSE	ENS	4.23	1.68	50⅝	Dallas, Tex	20.2	**William C McCord**
69,396	21,083	NYSE	LTX	1.70	0.84	15⅝	Houston, Tex	4.8	**Jackson C Hinds**
16,448	4,321	NYSE	EQK	1.80	0.96	8⅞	Pittsburgh, Pa	2.2	**William E Bierer**
19,449	4,146	NASDAQ	EBNC	2.25	0.70	12⅜	Baltimore, Md	2.7	**Owen Daly II**
71,446	6,236	NASDAQ	EQICB	3.06	1.23	16	Des Moines, Iowa	5.1	**Kenneth R Austin**
688,994	10,081	NYSE	ESM	21.90	1.84	53½	Chicago, Ill	30.5	**Donald P Kelly**
176,523	19,241	NYSE	EY	4.49	1.50	27⅞	Richmond, Va	15.9	**Floyd D Gottwald Jr**
42,369	12,323	NYSE	EVY	2.96	1.60	20⅜	Portland, Ore	18.0	**Monford A Orloff**
82,191	10,250	NYSE	XLO	4.91	1.95	37¼	Troy, Mich	16.8	**Edward J Giblin**
10,778,057	432,081	NYSE	XON	12.99	5.40	80⅝	New York, NY	176.6	**Clifton C Garvin Jr**
97,325	12,877	NYSE	FEN	4.02	0.69	32½	Germantown, Md	18.7	**Edward G Uhl**
172,250	33,924	NASDAQ	FGRP	3.15	1.00	27⅞	Los Angeles, Cal	11.2	**Richard G Lindsley**
5,568	5,798	ASE	FMI	−2.10	none	7⅞	San Diego, Cal	10.8	**Jan W Heydorn**
68,359	18,256	NYSE	FDX	2.06	none	44¼	Memphis, Tenn	6.8	**Frederick W Smith**
77,497	59,109	NYSE	FNM	0.24	1.12	11⅞	Washington, DC	1.2	**A Oakley Hunter**
383,412	48,414	NYSE	FDS	5.74	1.78	28½	Cincinnati, Ohio	116.6	**Howard Goldfeder**
27,177	10,384	ASE	FEL	1.32	0.10	60	New York, NY	0.1	**Hadley Case**

All share data adjusted for stock splits and stock dividends through May 11, 1981

Where they rank 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
226	■	■	■	**Fidelcor (Dec)**	3,316,120	335,518	71,818	11,624
277	■	■	■	**Fidelity Financial (Dec)**	2,852,623	282,117	64,390	-1,376
233	■	■	■	**Fidelity Union Bancorp (Dec)**	3,259,445	264,903	103,697	23,222
439	■	■	■	**Financial Corp of Santa Barbara (Dec)**	1,898,018	177,010	53,738	347
463	■	■	■	**Financial Corp of America (Dec)**	1,779,214	178,436	71,858	12,663
346	■	■	■	**Financial Federation (Dec)**	2,361,796	228,424	148,403	2,934
333	■	■	■	**Financial General Bankshares (Dec)**	2,426,622	241,388	164,733	16,384
245	103	428	■	**Firestone Tire & Rubber (Oct)**	3,118,600	4,850,500	605,892	-122,000
416	■	■	■	**First Alabama Bancshares (Dec)**	1,972,851	212,143	146,698	25,325
446	■	■	■	**[10]First American (Dec)**	1,884,763	202,958	63,350	15,304
337	■	■	■	**First American Bank (Dec)**	2,400,176	202,089	54,925	16,570
357	■	■	■	**First & Merchants (Dec)**	2,301,488	255,282	69,636	14,819
244	■	■	■	**First Atlanta (Dec)**	3,147,111	331,327	130,163	23,479
42	402	431	275	**First Bank System (Dec)**	13,475,043	1,336,315	599,708	111,986
107	■	■	■	**First Boston (Dec)**	6,020,532	579,499	136,065	33,563
62	■	■	■	**First Charter Financial (Dec)**	9,676,378	955,093	469,429	39,206
16	163	420	443	**First Chicago (Dec)**	28,699,441	3,414,787	621,984	63,008
52	478	348	335	**First City Bancorporation of Texas (Dec)**	11,275,084	1,061,412	761,763	89,047
452	■	■	■	**First Empire State (Dec)**	1,856,375	195,464	45,888	9,898
400	■	■	■	**First Florida Banks (Dec)**	2,055,063	185,960	92,886	16,772
453	■	■	■	**First Hawaiian (Dec)**	1,855,812	192,056	83,408	17,039
41	392	262	259	**First International Bancshares (Dec)**	13,780,872	1,382,572	1,034,334	117,966
380	■	■	■	**First Kentucky National (Dec)**	2,167,060	230,208	133,853	21,196
347	■	■	■	**First Maryland Bancorp (Dec)**	2,357,508	257,700	89,606	20,301
■	■	453	■	**First Mississippi (June)**	236,579	242,690	557,425	21,154
324	■	■	■	**First National Bancorp (Dec)**	2,499,235	270,337	96,837	20,676
38	252	■	298	**First National Boston (Dec)**	15,948,497	2,333,295	448,448	102,146
403	■	■	■	**First National Charter (Dec)**	2,035,388	194,625	106,330	17,045
432	■	■	■	**First National Cincinnati (Dec)**	1,912,203	190,344	106,875	23,182
183	■	■	■	**First National State Bancorp (Dec)**	3,918,527	297,780	101,753	21,014
■	398	■	■	**First National Supermarkets (Mar)**	208,777	1,364,797	21,480	5,253
360	■	■	■	**First Oklahoma Bancorporation (Dec)**	2,272,539	215,429	172,444	23,775
125	■	■	■	**First Pennsylvania (Dec)**	5,496,832	755,702	71,046	-164,089
197	■	■	■	**First Security (Dec)**	3,601,286	395,864	239,620	37,898
269	■	■	■	**First Tennessee National (Dec)**	2,915,760	297,700	116,918	23,709
168	■	■	■	**First Union Bancorporation (Dec)**	4,270,998	416,628	142,216	30,658
230	■	■	■	**First Union (Dec)**	3,282,499	387,588	122,027	27,388
407	■	■	■	**First United Bancorporation (Dec)**	2,017,953	209,669	124,319	19,245
155	■	■	■	**First Wisconsin (Dec)**	4,523,712	513,815	129,458	29,737
■	384	■	■	**Fisher Foods (Dec)**	341,122	1,412,962	47,977	6,703
342	■	■	■	**Flagship Banks (Dec)**	2,374,258	[illegible]	122,702	21,628
■	211	■	■	**Fleming Companies (Dec)**	344,927	2,816,958	164,955	20,704
■	479	■	■	**Flickinger (July)**	135,174	1,561,153	48,612	7,538
326	■	■	■	**Florida National Banks of Florida (Dec)**	2,467,773	204,271	135,919	16,129
371	■	■	421	**Florida Power (Dec)**	2,243,591	970,173	444,488	68,079
126	249	236	138	**Florida Power & Light (Dec)**	5,492,053	2,347,278	1,141,036	198,318
478	107	66	231	**Fluor (Oct)**	1,705,012	4,826,297	2,864,460	131,889
314	157	271	210	**FMC (Dec)**	2,617,297	3,482,183	981,277	142,708
■	457	■	■	**Food Fair (July)**	365,982	1,124,067	28,512	13,732
22	7	86	■	**Ford Motor (Dec)**	24,335,389	37,085,500	2,405,500	-1,543,300

■ Not on 500 list

[10]Formerly First Antenn

A SUMMARY OF THE 500's RANKINGS

Cash flow ($000)	Share data, 1980: Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price Dec 31	Corporate headquarters	Number of employees (000)	Chief executive
27,843	4,996	NASDAQ	FICR	2.34	0.38	14⅝	Philadelphia, Pa	2.9	**Raymond J Dempsey**
13,921	6,439	NYSE	FDY	0.21	0.45	10	San Francisco, Cal	0.9	**Adolph C Meyer Jr**
33,485	3,788	NYSE	FDU	6.12	2.80	27⅜	Newark, NJ	3.2	**Peter Cartmell**
-1,186	4,299	NYSE	FSB	0.08	0.91	12½	Santa Barbara, Cal	0.7	**David L Tilton**
65,236	4,877	NYSE	FIN	2.60	0.49	14¼	Los Angeles, Cal	0.8	**Charles W Knapp**
3,241	4,210	NYSE	FH	0.70	1.05	35⅝	Los Angeles, Cal	0.6	**Edward L Johnson**
28,924	7,281	ASE	FGL	2.24	0.38	22⅝	Washington, DC	3.1	**J William Middendorf II**
62,800	57,703	NYSE	FIR	2.11	0.80	10⅞	Akron, Ohio	96.8	**John J Nevin**
38,610	5,697	NASDAQ	FABC	4.45	1.38	25¾	Montgomery, Ala	2.5	**Frank A Plummer**
15,610	6,106	NASDAQ	FATN	2.41	0.72	10⅛	Nashville, Tenn	2.4	**Kenneth L Roberts**
25,925	4,225	NASDAQ	FABK	3.85	1.23	13	Kalamazoo, Mich	2.5	**James H Duncan**
22,004	3,316	NASDAQ	FMCH	4.53	1.64	21	Richmond, Va	3.3	**C Coleman McGehee**
51,920	6,942	NASDAQ	FATL	3.58	0.91	18¾	Atlanta, Ga	3.8	**Thomas R Williams**
164,636	15,087	NASDAQ	FBKS	7.42	2.23	39¾	Minneapolis, Minn	0.7	**Donald R Grangaard**
34,796	4,498	NASDAQ	FBOS	6.70	1.75	40¼	New York, NY	1.5	**George L Shinn**
47,507	29,805	NYSE	FCF	1.32	0.80	15¾	Beverly Hills, Cal	2.3	**S Mark Taper**
136,322	39,807	NYSE	FNB	1.59	1.20	15⅜	Chicago, Ill	10.6	**Barry F Sullivan**
137,063	28,882	NYSE	FBT	3.31	0.89	26⅝	Houston, Tex	6.4	**James A Elkins Jr**
15,067	2,868	NASDAQ	FEMP	3.45	0.20	16	Buffalo, NY	2.1	**Claude F Shuchter**
26,303	11,795	NASDAQ	FFBK	1.42	0.36	7½	Tampa, Fla	2.7	**Chester H Ferguson**
25,671	3,033	NASDAQ	FHWN	0.63	2.40	27½	Honolulu, Haw	2.1	**John D Bellinger**
164,186	20,843	NYSE	FIB	5.66	1.65	49⅜	Dallas, Tex	5.8	**Elvis L Mason**
36,484	3,966	NASDAQ	FKYN	3.34	1.94	33¾	Louisville, Ky	2.4	**A Stevens Miles**
35,788	4,537	NASDAQ	FMDB	4.37	1.18	19¾	Baltimore, Md	2.6	**J Owen Cole**
47,275	21,543	NYSE	FRM	0.98	0.19	25⅝	Jackson, Miss	1.0	**J Kelley Williams**
39,484	4,066	NASDAQ	FNTL	4.18	1.14	19½	Denver, Colo	2.7	**Theodore D Brown**
165,728	12,588	NYSE	FB	8.22	2.20	33⅝	Boston, Mass	11.5	**Richard D Hill**
21,717	3,902	NASDAQ	FNCH	4.38	1.70	27¾	Kansas City, Mo	2.0	**Gordon E Wells**
28,021	4,300	NASDAQ	FNAC	5.15	2.20	23¾	Cincinnati, Ohio	1.6	**William N Liggett**
28,603	4,994	NYSE	FNS	5.09	2.20	20⅝	Newark, NJ	3.0	**Robert R Ferguson Jr**
14,560	3,580	NASDAQ	FOOD	1.24	0.02	6	Maple Heights, Ohio	15.0	**Richard J Bogomolny**
32,142	9,076	NASDAQ	FOKL	2.58	0.40	19	Oklahoma City, Okla	1.2	**Charles A Vose Jr**
80,911	15,788	NYSE	FPA	10.47	0.22	4½	Philadelphia, Pa	4.5	**George A Butler**
69,745	11,981	NASDAQ	FSCO	3.18	0.93	20	Salt Lake City, Utah	4.6	**George S Eccles**
47,498	9,170	NASDAQ	FTEN	2.60	0.81	12¾	Memphis, Tenn	3.3	**Ronald A Terry**
49,716	7,023	NASDAQ	FUBC	4.37	1.53	20¼	St Louis, Mo	3.2	**Clarence C Barksdale**
41,232	7,074	NASDAQ	FUNC	3.89	1.00	17¾	Charlotte, NC	4.2	**C Clifford Cameron**
28,833	3,406	NASDAQ	FBFW	5.68	1.39	36½	Fort Worth, Tex	1.5	**Paul W Mason**
39,000	4,210	NYSE	FWB	7.09	1.88	30¾	Milwaukee, Wisc	4.1	**Hal C Kuehl**
29,533	6,292	NYSE	FHR	1.05	0.40	7⅝	Bedford Heights, Ohio	16.0	**[1]Dominick DiMatteo Jr**
29,299	7,062	NASDAQ	FLAG	3.02	0.80	17⅞	Miami, Fla	3.0	**Philip F Searle**
34,013	6,406	NYSE	FLM	3.25	1.06	25¾	Oklahoma City, Okla	8.0	**Richard D Harrison**
12,714	2,924	NASDAQ	FLIC	2.57	0.72	16⅞	Buffalo, NY	6.4	**Jerry Metcalf**
25,086	7,499	NASDAQ	FNBF	2.15	0.66	18⅝	Jacksonville, Fla	3.5	**George C Whitner Jr**
187,754	32,623	NYSE	FDP	1.66	1.57	13⅞	St Petersburg, Fla	4.1	**Andrew H Hines Jr**
464,272	43,676	NYSE	FPL	3.94	2.64	26⅛	Miami, Fla	11.1	**Marshall McDonald**
255,113	47,741	NYSE	FLR	2.73	0.65	60	Irvine, Cal	25.8	**J Robert Fluor**
300,385	32,175	NYSE	FMC	4.26	1.45	30½	Chicago, Ill	44.6	**Robert H Malott**
18,038	7,358	PAC	QFFS	1.86	none	3⅞	Ft Lauderdale, Fla	11.0	**Grant C Gentry**
527,200	120,275	NYSE	F	-12.83	2.60	20	Dearborn, Mich	426.7	**Philip Caldwell**

All share data adjusted for stock splits and stock dividends through Mar 11, 1981.

[1] Shares Office of President with R G Everett and C Lazar.

THE DIMENSIONS OF AMERICAN BUSINESS

Where they rank 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
■	151	490	427	**Foremost-McKesson (Mar)**	1,203,057	3,661,576	492,818	66,778
■	■	358	416	**Fort Howard Paper (Dec)**	508,948	397,403	751,845	68,700
■	355	313	434	**Foster Wheeler (Dec)**	952,574	1,562,542	839,983	59,360
■	■	497	■	**Foxboro (Dec)**	421,063	309,057	485,650	32,054
■	■	122	202	**Freeport Minerals (Dec)**	891,587	664,358	1,922,676	147,402
■	284	■	■	**Fruehauf (Dec)**	1,524,987	2,081,748	304,744	32,213
■	352	■	447	**Fuqua Industries (Dec)**	864,158	1,589,512	186,702	61,675
■	435	120	196	**Gannett (Dec)**	1,211,740	1,214,983	1,936,840	151,985
335	■	■	330	**GATX (Dec)**	2,412,579	992,671	455,784	66,012
■	■	334	■	**Gearhart Industries (Jan)**	235,692	239,182	757,164	26,633
■	■	■	433	**GEICO (Dec)**	1,474,578	726,434	296,346	59,644
430	■	■	■	**Gelco (July)**	1,917,725	652,397	313,193	40,474
■	■	214	461	**General American Oil Co of Texas (June)**	462,027	234,464	1,210,259	57,961
332	112	88	143	**General Dynamics (Dec)**	2,435,800	4,742,700	2,370,146	195,000
31	13	11	11	**General Electric (Dec)**	18,511,000	24,959,000	13,950,606	1,514,000
258	73	167	98	**General Foods (Mar)**	2,978,485	5,959,587	1,495,016	255,821
■	■	290	420	**General Instrument (Feb)**	645,233	825,074	896,334	68,124
409	127	184	173	**General Mills (May)**	2,012,400	4,170,300	1,359,558	170,000
12	3	12	■	**General Motors (Dec)**	34,455,200	57,728,500	13,320,720	-762,500
146	310	■	■	**General Public Utilities (Dec)**	5,042,972	1,831,741	306,320	20,591
194	463	226	194	**[13]General Re (Dec)**	3,654,835	1,104,253	1,169,186	154,400
■	366	220	291	**General Signal (Dec)**	1,130,277	1,521,744	1,195,049	104,214
27	38	56	41	**General Telephone & Electronics (Dec)**	19,720,457	9,978,875	4,220,589	477,876
456	270	■	■	**General Tire & Rubber (Nov)**	1,806,117	2,215,206	443,503	40,761
■	378	373	424	**Genuine Parts (Dec)**	526,701	1,431,713	723,503	67,833
156	97	85	104	**Georgia-Pacific (Dec)**	4,512,000	5,016,000	2,469,775	244,000
■	■	345	■	**Geosource (Sept)**	304,827	441,342	765,625	32,732
71	35	20	18	**Getty Oil (Dec)**	8,266,676	10,130,411	7,547,899	871,866
■	369	■	■	**Giant Food (Feb)**	350,000	1,483,476	83,079	18,308
167	■	■	■	**Gibraltar Financial Corp of Calif (Dec)**	4,295,449	425,727	115,244	-5,274
477	254	311	244	**Gillette (Dec)**	1,708,504	2,315,294	841,988	123,977
161	■	■	■	**Girard (Dec)**	4,385,572	453,067	129,723	33,707
■	441	■	409	**GK Technologies (Dec)**	732,735	1,189,666	456,725	70,154
■	■	280	■	**Global Marine (Dec)**	557,757	219,936	953,136	44,883
124	■	■	■	**Golden West Financial (Dec)**	5,578,887	485,290	299,153	38,062
374	185	■	446	**B F Goodrich (Dec)**	2,216,166	3,079,597	425,437	61,717
130	47	232	133	**Goodyear Tire & Rubber (Dec)**	5,368,301	8,444,015	1,148,176	206,711
495	271	300	397	**Gould (Dec)**	1,608,508	2,205,451	882,759	72,474
163	69	70	83	**W R Grace (Dec)**	4,364,500	6,101,300	2,776,540	283,800
■	■	494	■	**W W Grainger (Dec)**	413,345	782,571	487,796	48,801
■	62	■	■	**Great Atlantic & Pacific Tea (Feb)**	1,230,522	6,684,179	196,313	-3,807
■	395	417	306	**Great Northern Nekoosa (Dec)**	1,210,200	1,373,300	625,304	99,100
60	■	■	■	**Great Western Financial (Dec)**	10,252,838	997,222	419,528	39,172
435	110	422	257	**Greyhound (Dec)**	1,905,098	4,766,150	615,384	118,320
■	330	■	■	**Grumman (Dec)**	906,312	1,729,337	282,122	30,668
129	84	221	99	**Gulf & Western Industries (July)**	5,416,776	5,338,483	1,191,736	255,284
30	9	17	12	**Gulf Oil (Dec)**	18,638,000	26,483,000	8,492,201	1,407,000
265	495	446	260	**Gulf States Utilities (Dec)**	2,925,701	1,005,226	568,556	117,189
377	■	475	376	**Gulf United (Dec)**	2,189,107	674,486	512,001	78,500
150	48	15	39	**Halliburton (Dec)**	4,723,753	8,327,305	9,827,950	500,298

■ Not on 500 list

[13] Formerly General Reinsurance

A SUMMARY OF THE 500's RANKINGS

Cash flow ($000)	Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec 31)	Corporate headquarters	Number of employees (000)	Chief executive
	Share data: 1980								
82,252	15,645	NYSE	FOR	4.43	1.89	31½	San Francisco, Cal	17.4	**Thomas E Drohan**
99,694	26,972	NYSE	FHP	2.55	0.72	27⅞	Green Bay, Wisc	3.7	**Paul J Schierl**
65,494	34,285	NYSE	FWC	1.74	0.36	24½	Livingston, NJ	16.5	**Frank A Lee**
45,230	8,284	NYSE	FOX	3.87	1.30	58⅜	Foxboro, Mass	11.2	**Earle W Pitt**
209,973	31,584	NYSE	FT	4.67	1.00	60⅞	New York, NY	2.7	**Paul W Douglas**
109,247	12,251	NYSE	FTR	2.63	2.40	24⅞	Detroit, Mich	29.2	**Robert D Rowan**
100,653	12,876	NYSE	FQA	4.71	0.49	14½	Atlanta, Ga	15.6	**John B Fuqua**
208,831	52,883	NYSE	GCI	2.81	1.33	36⅝	Rochester, NY	23.0	**Allen H Neuharth**
220,919	12,277	NYSE	GMT	5.10	2.20	37⅛	Chicago, Ill	9.6	**James J Glasser**
46,711[13]	13,963	NYSE	GOI	1.84	0.19	56⅝	Fort Worth, Tex	4.7	**Marvin Gearhart**
94,022	20,263	NYSE	GEC	2.87	0.43	14⅝	Washington, DC	5.4	**John J Byrne**
189,910	10,103	NYSE	GEL	3.65	0.84	31	Eden Prairie, Minn	7.0	**N Bud Grossman**
150,923	24,025	NYSE	GAO	2.41	0.39	50⅝	Dallas, Tex	1.6	**William P Barnes**
383,100	55,442	NYSE	GD	3.58	0.63	42¾	St Louis, Mo	84.4	**David S Lewis**
2,339,000	227,765	NYSE	GE	6.65	2.90	61¼	Fairfield, Conn	402.0	**John F Welch Jr**
329,708	49,422	NYSE	GF	5.12	2.15	30¼	White Plains, NY	53.0	**James L Ferguson**
109,366	9,638	NYSE	GRL	7.46	0.90	93	New York, NY	27.1	**Frank G Hickey**
262,700	50,354	NYSE	GIS	3.37	1.36	27	Minneapolis, Minn	65.1	**H Brewster Atwater Jr**
3,465,600	296,016	NYSE	GM	-2.65	2.95	45	Detroit, Mich	746.4	**Roger B Smith**
187,174	61,264	NYSE	GPU	0.34	none	5	Parsippany, NJ	11.4	**William G Kuhns**
384,998	21,803	NYSE	GRN	7.08	1.40	53⅝	Greenwich, Conn	2.0	**Harold J Hudson Jr**
134,772	26,705	NYSE	GSX	4.01	1.28	44¾	Stamford, Conn	26.0	**Nathan R Owen**
2,061,322	154,884	NYSE	GTE	2.94	2.72	27¾	Stamford, Conn	201.0	**Theodore F Brophy**
120,393	24,127	NYSE	GY	1.68	1.46	18½	Akron, Ohio	40.8	**Michael G O'Neil**
78,846	27,562	NYSE	GPC	2.46	1.00	26¼	Atlanta, Ga	11.7	**Wilton D Looney**
566,000	98,791	NYSE	GP	2.34	1.20	25	Portland, Ore	44.0	**Robert E Flowerree**
59,902	12,500	NYSE	GSE	2.77	0.46	61¼	Houston, Tex	6.5	**John D Platt**
1,674,722	82,134	NYSE	GET	10.60	1.90	91⅞	Los Angeles, Cal	17.3	**Sidney R Petersen**
39,000	4,887	ASE	GFS A	3.74	1.08	17	Washington, DC	14.0	**Israel Cohen**
165,759	13,969	NYSE	GFC	-0.38	0.60	8¼	Beverly Hills, Cal	1.3	**Herbert J Young**
204,738	30,071	NYSE	GS	4.11	1.81	28	Boston, Mass	34.1	**Colman M Mockler Jr**
52,267	5,462	NASDAQ	GIRA	6.30	1.97	23¾	Bala Cynwyd, Pa	3.5	**William B Eagleson Jr**
90,941	12,731	NYSE	GK	5.33	1.40	33⅞	Greenwich, Conn	23.0	**Robert P Jensen**
81,193	13,238	NYSE	GLM	3.47	0.15	72	Los Angeles, Cal	2.1	**C Russell Luigs**
51,860	21,179	NYSE	GDW	1.80	0.37	14⅛	Oakland, Cal	1.2	**[14]Herbert M Sandler**
164,027	17,103	NYSE	GR	3.57	1.56	24⅞	Akron, Ohio	40.2	**John D Ong**
435,654	71,761	NYSE	GT	2.85	1.30	16	Akron, Ohio	144.5	**Charles J Pilliod Jr**
122,862	34,618	NYSE	GLD	2.10	1.72	25½	Rolling Meadows, Ill	36.5	**William T Ylvisaker**
562,700	47,060	NYSE	GRA	6.08	2.18	59	New York, NY	91.7	**J Peter Grace**
57,706	14,139	NYSE	GWW	3.45	0.98	34½	Skokie, Ill	5.7	**David W Grainger**
64,080	37,393	NYSE	GAP	-0.15	none	5¼	Montvale, NJ	63.0	**James Wood**
191,500	16,085	NYSE	GNN	6.16	1.65	38⅞	Stamford, Conn	12.4	**Robert Hellendale**
65,646	22,525	NYSE	GWF	1.74	0.88	18⅝	Beverly Hills, Cal	2.2	**James F Montgomery**
170,317	44,352	NYSE	G	2.67	1.16	13⅞	Phoenix, Ariz	52.3	**Gerald H Trautman**
85,708	10,031	NYSE	GQ	2.35	1.25	28⅛	Bethpage, NY	28.0	**John C Bierwirth**
382,672	75,070	NYSE	GW	4.38	0.68	15⅞	New York, NY	116.0	**Charles G Bluhdorn**
2,955,000	195,223	NYSE	GO	7.21	2.38	43½	Pittsburgh, Pa	58.3	**Jerry McAfee**
185,993	48,908	NYSE	GSU	2.05	1.39	11⅝	Beaumont, Tex	4.2	**W Donham Crawford**
180,515	25,284	NYSE	GHC	2.76	1.12	20¾	Jacksonville, Fla	7.1	**E Grant Fitts**
736,645	117,700	NYSE	HAL	4.25	1.05	83½	Dallas, Tex	113.6	**John P Harbin**

All share data adjusted for stock splits and stock dividends through May 11, 1981

[13] Cash flow as of 10/31/80

[14] Office jointly held with Marion O. Sandler

Where they rank: 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
■	445	■	■	**Hammermill Paper (Dec)**	713,827	1,182,837	215,298	40,264
86	■	■	■	**Harris Bankcorp (Dec)**	6,904,530	725,708	180,677	30,679
■	411	153	370	**Harris Corp (June)**	1,139,784	1,300,932	1,619,211	79,682
■	476	■	■	**Harsco (Dec)**	658,198	1,063,226	336,452	49,712
290	■	■	■	**Hartford National (Dec)**	2,753,339	244,651	53,719	13,803
419	203	255	209	**H J Heinz (Apr)**	1,954,286	2,924,774	1,069,640	142,887
119	■	■	■	**Walter E Heller International (Dec)**	5,728,288	771,720	242,228	43,011
■	■	199	■	**Helmerich & Payne (Sept)**	374,209	198,283	1,299,582	47,221
443	[illegible]	328	269	**Hercules (Dec)**	1,889,679	2,485,226	806,455	114,000
■	403	■	445	**Hershey Foods (Dec)**	684,472	1,335,289	332,760	62,055
■	379	427	382	**Heublein (June)**	1,047,019	1,430,050	608,786	77,411
352	183	31	94	**Hewlett-Packard (Oct)**	2,337,000	3,099,000	5,391,838	269,000
■	■	244	285	**Hilton Hotels (Dec)**	696,824	554,327	1,114,006	106,132
481	361	305	280	**Holiday Inns (Dec)**	1,680,103	1,533,758	865,404	108,275
■	■	243	300	**Homestake Mining (Dec)**	367,111	302,213	1,114,286	101,591
187	100	79	87	**Honeywell (Dec)**	3,892,600	4,924,700	2,532,255	280,900
■	408	■	■	**George A Hormel (Oct)**	355,853	1,321,966	147,708	32,758
494	431	149	366	**Hospital Corp of America (Dec)**	1,609,603	1,231,548	1,641,186	80,995
476	■	■	■	**Hospital Trust (Dec)**	1,720,426	181,688	42,000	8,087
88	68	355	213	**[5]Household Finance (Dec)**	6,840,600	6,182,000	757,104	141,000
157	247	213	156	**Houston Industries (Dec)**	4,432,933	2,367,264	1,215,383	183,981
442	248	98	141	**Houston Natural Gas (July)**	1,890,592	2,357,871	2,155,140	196,681
■	■	150	371	**Houston Oil & Minerals (Dec)**	1,077,692	333,498	1,638,971	79,550
■	437	73	230	**Hughes Tool (Dec)**	1,390,281	1,206,155	2,647,235	132,189
■	458	197	437	**Humana (Aug)**	1,326,584	1,116,824	1,302,541	64,602
279	■	■	■	**Huntington Bancshares (Dec)**	2,830,708	277,283	93,660	22,833
151	456	■	359	**E F Hutton Group (Dec)**	4,706,635	1,125,271	440,781	82,630
193	128	480	253	**IC Industries (Dec)**	3,692,800	4,141,600	505,300	120,700
438	■	■	■	**Idaho First National Bank (Dec)**	1,899,283	186,645	125,886	20,919
■	■	■	498	**Ideal Basic Industries (Dec)**	844,421	458,923	353,010	52,764
327	■	421	270	**Illinois Power (Dec)**	2,467,191	883,370	616,831	113,562
80	■	■	■	**Imperial Corp of America (Dec)**	7,347,443	713,703	425,880	40,659
58	87	155	89	**INA (Dec)**	10,603,673	5,254,564	1,601,816	278,633
341	■	■	■	**Indiana National (Dec)**	2,378,388	250,447	63,654	16,460
■	■	■	476	**Indianapolis Power & Light (Dec)**	1,065,834	334,076	256,913	55,621
210	■	■	■	**Industrial National (Dec)**	3,451,689	405,187	119,665	28,210
492	■	■	■	**Industrial Valley Bank & Trust (Dec)**	1,619,157	198,121	42,396	150
■	■	396	■	**Inexco Oil (Dec)**	545,059	146,606	672,903	22,576
322	198	176	186	**Ingersoll-Rand (Dec)**	2,526,839	2,970,960	1,427,192	160,274
260	172	437	■	**Inland Steel (Dec)**	2,958,242	3,255,898	587,438	29,681
■	■	142	309	**Intel (Dec)**	767,168	854,561	1,720,124	96,741
■	245	394	243	**Interco (Feb)**	1,469,137	2,368,456	675,949	124,330
■	481	■	■	**Interlake (Dec)**	703,618	1,055,883	169,731	13,818
20	10	1	3	**International Business Machines (Dec)**	26,703,000	26,213,000	39,625,900	3,562,000
■	■	315	441	**International Flavors & Fragrances (Dec)**	414,859	448,309	832,650	63,232
114	66	322	■	**International Harvester (Oct)**	5,843,458	6,311,804	815,644	–397,328
455	314	138	206	**International Minerals & Chemical (June)**	1,848,634	1,789,634	1,776,819	145,877
■	493	■	■	**International Multifoods (Feb)**	432,495	1,012,242	150,136	18,779
141	94	104	72	**International Paper (Dec)**	5,197,400	5,042,900	2,072,700	314,000
17	14	52	17	**[5]International Tel & Tel (Dec)**	28,378,016	23,818,715	3,670,200	895,636

■ Not on 500 list.

[5] Figures include unconsolidated subsidiaries.

A SUMMARY OF THE 500's RANKINGS

Cash flow ($000)	Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec 31)	Corporate headquarters	Number of employees (000)	Chief executive
	Share data: 1980								
75,623	7,974	NYSE	HML	5.04	1.55	27	Erie, Pa	12.0	**Albert F Duval**
44,482	6,818	NYSE	HBC	4.51	2.00	26½	Chicago, Ill	3.8	**Charles M Bliss**
151,909	31,064	NYSE	HRS	2.63	0.76	32⅜	Melbourne, Fla	24.1	**Joseph A Boyd**
88,667	10,006	NYSE	HSC	4.94	2.00	33⅝	Camp Hill, Pa	16.0	**Jeffrey J Burdge**
20,658	2,865	NASDAQ	HNAT	4.85	1.45	18¾	Hartford, Conn	2.7	**Robert L Newell**
177,927	23,003	NYSE	HNZ	6.24	2.25	46½	Pittsburgh, Pa	44.6	**Anthony J F O'Reilly**
128,705	11,816	NYSE	HLR	3.61	1.25	20½	Chicago, Ill	4.7	**Franklin A Cole**
73,926	25,482	NYSE	HP	1.86	0.19	51	Tulsa, Okla	1.4	**Walter H Helmerich III**
251,792	42,445	NYSE	HPC	2.60	1.20	19	Wilmington, Del	22.9	**Alexander F Giacco**
101,994	14,160	NYSE	HSY	4.38	1.50	23¾	Hershey, Pa	12.1	**William E C Dearden**
115,871	21,455	NYSE	HBL	3.62	1.66	28⅜	Farmington, Conn	27.1	**Hicks B Waldron**
389,000	60,244	NYSE	HWP	4.47	0.40	89½	Palo Alto, Cal	54.7	**John A Young**
132,092	26,367	NYSE	HLT	4.00	1.42	42¼	Beverly Hills, Cal	32.0	**Barron Hilton**
193,880	32,052	NYSE	HIA	2.92	0.69	27	Memphis, Tenn	44.0	**Roy E Winegardner**
93,198	17,012	NYSE	HM	5.96	1.42	65½	San Francisco, Cal	2.4	**Harry M Conger**
523,600	22,660	NYSE	HON	12.57	2.80	111¼	Minneapolis, Minn	95.9	**Edson W Spencer**
50,914	9,607	ASE	HRL	3.41	0.84	15⅜	Austin, Minn	8.1	**Ira J Holton**
159,279	45,378	NYSE	HCA	1.73	0.25	36¼	Nashville, Tenn	46.0	**Donald S MacNaughton**
19,745	2,000	NASDAQ	HTCO	4.04	2.12	21	Providence, RI	1.8	**Henry S Woodbridge Jr**
458,100	46,591	NYSE	HFC	2.88	1.56	16¼	Prospect Heights, Ill	77.5	**Gilbert R Ellis**
390,590	42,645	NYSE	HOU	4.71	2.68	28½	Houston, Tex	8.4	**Don D Jordan**
292,206	39,910	NYSE	HNG	5.06	1.25	54	Houston, Tex	11.5	**Robert R Herring**
256,639	30,142	ASE	HOI	2.53	0.80	54⅜	Houston, Tex	1.3	**F Fox Benton Jr**
204,124	27,397	NYSE	HT	5.27	0.98	96⅝	Houston, Tex	15.3	**James R Lesch**
145,163	36,498	NYSE	HUM	1.54	0.38	35¼	Louisville, Ky	39.1	**David A Jones**
35,334	3,345	NASDAQ	HBAN	6.83	1.81	28	Columbus, Ohio	2.9	**Frank Wobst**
115,832	13,357	NYSE	EFH	6.16	0.62	33	New York, NY	9.3	**Robert M Fomon**
279,400	16,366	NYSE	ICX	6.02	1.92	30⅞	Chicago, Ill	61.3	**William B Johnson**
28,800	6,148	NASDAQ	IDNB	3.40	0.93	20½	Boise, Ida	2.1	**Thomas C Frye**
97,468	13,448	NYSE	IDL	3.93	1.63	26¼	Denver, Colo	4.2	**John A Love**
165,302	34,508	NYSE	IPC	2.87	2.33	17⅞	Decatur, Ill	3.9	**Wendell J Kelley**
41,259	14,196	NYSE	ICA	2.86	1.20	30	San Diego, Cal	1.7	**E Michael Lallinger**
880,419	39,551	NYSE	INA	7.11	2.20	40½	Philadelphia, Pa	40.2	**Ralph S Saul**
30,380	4,944	NASDAQ	INAT	3.33	0.70	12⅞	Indianapolis, Ind	2.2	**Thomas W Binford**
97,746	13,260	NYSE	IPL	3.68	2.21	19⅝	Indianapolis, Ind	2.2	**Zane G Todd**
49,593	6,059	NYSE	INB	4.57	1.60	19¼	Providence, RI	3.4	**John J Cummings Jr**
4,612	2,609	NASDAQ	IBKT	0.06	2.20	16¼	Jenkintown, Pa	1.9	**Joseph A Gallagher**
85,809	24,140	NYSE	INX	0.94	0.10	27⅞	Houston, Tex	0.7	**Erving Wolf**
247,170	19,061	NYSE	IR	8.08	3.32	74⅝	Woodcliff Lake, NJ	47.4	**Thomas A Holmes**
203,560	21,074	NYSE	IAD	1.38	2.40	27⅞	Chicago, Ill	34.9	**Frederick G Jaicks**
153,751	42,736	NASDAQ	INTC	2.21	none	40¼	Santa Clara, Cal	15.9	**Gordon E Moore**
159,581	14,156	NYSE	ISS	7.63	2.58	47¼	St Louis, Mo	56.4	**William L Edwards Jr**
61,929	6,089	NYSE	IK	2.29	2.20	27⅞	Oak Brook, Ill	10.8	**Reynold C MacDonald**
7,023,000	583,807	NYSE	IBM	6.10	3.44	67⅞	Armonk, NY	341.3	**John R Opel**
70,635	36,600	NYSE	IFF	1.73	0.86	22¼	New York, NY	3.6	**Henry G Walter Jr**
-473,726	31,830	NYSE	HR	12.91	2.50	25⅝	Chicago, Ill	87.2	**Archie R McCardell**
285,566	27,127	NYSE	IGL	5.38	2.24	65½	Northbrook, Ill	10.6	**Richard A Lenon**
32,224	8,061	NYSE	IMC	2.31	1.26	18⅝	Minneapolis, Minn	8.5	**William G Phillips**
396,500	49,350	NYSE	IP	5.97	2.40	42	New York, NY	46.0	**Edwin A Gee**
3,142,009	122,340	NYSE	ITT	6.13	2.40	30	New York, NY	358.0	**Rand V Araskog**

All share data adjusted for stock splits and stock dividends through May 11, 1981

THE DIMENSIONS OF AMERICAN BUSINESS

Where they rank: 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
205	190	121	130	**[15]InterNorth (Dec)**	3,485,618	3,037,764	1,927,523	211,722
■	114	■	496	**Iowa Beef Processors (Oct)**	509,492	4,639,454	476,208	53,164
32	326	■	352	**Irving Bank (Dec)**	18,089,818	1,740,410	409,604	85,339
■	266	■	165	**IU International (Dec)**	1,385,599	2,239,399	344,698	179,336
262	■	456	327	**Jefferson-Pilot (Dec)**	2,934,532	803,426	552,369	91,949
■	123	■	473	**Jewel Companies (Jan)**	1,288,90[illegible]	4,267,922	388,601	55,893
372	296	488	388	**Jim Walter (Aug)**	2,226,210	1,966,613	493,770	74,730
350	260	448	368	**Johns-Manville (Dec)**	2,338,159	2,266,804	566,305	80,636
223	105	24	53	**Johnson & Johnson (Dec)**	3,342,500	4,837,400	6,164,949	400,700
■	■	372	452	**Joy Manufacturing (Sept)**	735,594	934,329	726,184	59,680
105	20	95	97	**K mart (Jan)**	6,102,462	14,204,400	2,205,400	260,527
238	174	276	103	**Kaiser Aluminum & Chemical (Dec)**	3,196,800	3,222,100	965,806	247,600
■	■	■	150	**Kaiser Steel (Dec)**	1,360,434	884,942	285,106	191,469
390	■	361	404	**[5]Kaneb Services (Dec)**	2,100,839	650,281	748,136	71,616
■	■	■	415	**Kansas City Power & Light (Dec)**	1,538,978	445,965	271,553	68,701
■	277	162	155	**Kellogg (Dec)**	1,181,867	2,151,860	1,547,748	184,832
287	373	■	357	**Kemper (Dec)**	2,777,348	1,459,698	424,942	83,139
234	263	292	148	**[16]Kennecott (Dec)**	3,231,436	2,255,834	893,486	192,350
285	159	107	158	**Kerr-McGee (Dec)**	2,806,559	3,477,881	2,046,337	182,223
321	■	■	■	**Key Banks (Dec)**	2,526,912	195,847	101,010	17,137
500	236	■	340	**[17]Kidde (Dec)**	1,587,806	2,539,275	429,725	87,387
354	228	212	159	**Kimberly-Clark (Dec)**	2,325,500	2,600,300	1,218,307	181,800
■	465	297	322	**Knight-Ridder Newspapers (Dec)**	862,361	1,098,537	888,265	92,858
■	299	384	480	**Koppers (Dec)**	1,385,888	1,929,190	691,175	54,989
411	34	429	317	**Kroger (Dec)**	1,997,545	10,316,741	604,041	94,386
■	382	408	431	**Lear Siegler (June)**	841,067	1,423,397	639,231	65,722
■	210	139	120	**Levi Strauss (Nov)**	1,455,360	2,840,844	1,759,388	223,689
■	449	■	■	**Libbey-Owens-Ford (Dec)**	903,841	1,159,863	253,684	28,831
473	■	■	■	**Liberty National (Dec)**	1,740,165	167,577	67,743	10,577
375	■	■	432	**[18]Liberty National Insurance Holding (Dec)**	2,213,546	475,394	385,236	65,646
315	233	36	63	**Eli Lilly (Dec)**	2,607,452	2,558,637	4,830,975	341,974
212	■	■	■	**Lincoln First Banks (Dec)**	3,435,267	347,065	72,580	16,004
69	220	316	189	**Lincoln National (Dec)**	8,470,373	2,692,911	832,520	156,633
232	124	58	79	**Litton Industries (July)**	3,264,291	4,246,532	3,380,450	290,821
331	80	■	■	**Lockheed (Dec)**	2,442,500	5,395,700	400,124	27,600
66	125	248	122	**Loews (Dec)**	9,125,112	4,237,645	1,100,331	221,973
■	■	■	455	**Lone Star Industries (Dec)**	1,051,177	909,315	347,560	59,232
184	419	272	135	**Long Island Lighting (Dec)**	3,917,746	1,276,938	979,734	205,018
■	483	127	163	**Louisiana Land & Exploration (Dec)**	1,142,949	1,052,721	1,884,509	180,162
■	440	376	450	**Louisiana-Pacific (Dec)**	1,114,420	1,195,590	714,480	60,010
179	54	363	235	**LTV (Dec)**	4,029,669	8,009,958	746,192	127,893
■	■	193	276	**Lubrizol (Dec)**	651,137	922,697	1,315,446	111,511
■	64	356	330	**Lucky Stores (Jan)**	1,400,601	6,468,682	757,097	90,458
■	■	227	■	**M/A-Com (Sept)**	244,119	322,480	1,161,961	24,905
■	244	386	296	**R H Macy (July)**	1,328,254	2,373,531	686,758	103,026
■	■	468	■	**Mallinckrodt (Dec)**	356,924	441,795	523,643	36,002
■	307	■	■	**Malone & Hyde (June)**	346,581	1,854,466	269,360	24,945
7	88	249	112	**Manufacturers Hanover (Dec)**	55,522,249	5,188,522	1,099,647	228,528
149	■	■	■	**Manufacturers National (Dec)**	4,768,939	481,398	114,075	[illegible]7,740
■	319	228	248	**MAPCO (Dec)**	1,478,456	1,769,740	1,158,890	22,260

■ Not on 500 list

[5] Figures include unconsolidated subsidiaries
[15] Formerly Northern Natural Gas
[16] Formerly Kennecott Copper
[17] Formerly Walter Kidde
[18] Formerly Liberty National Life Insurance

A SUMMARY OF THE 500's RANKINGS

Cash flow ($000)	Shares outstanding (000)	Where traded	Ticker symbol	Share data: 1980 Earnings before extraordinary items	Dividends	Market price (Dec 31)	Corporate headquarters	Number of employees (000)	Chief executive
414,850	44,567	NYSE	INI	4.70	1.73	43¼	Omaha, Neb	10.3	**Sam F Segnar**
70,380	9,921	NYSE	IBP	5.17	0.60	48	Dakota City, Neb	10.4	**Robert L Peterson**
145,338	8,646	NYSE	V	9.70	2.72	47⅜	New York, NY	9.2	**Gordon T Wallis**
286,198	19,697	NYSE	IU	6.52	1.03	17½	Philadelphia, Pa	35.0	**John Gilray Christy**
146,512	21,876	NYSE	JP	4.20	1.35	25¼	Greensboro, NC	6.1	**W Roger Soles**
101,852	11,346	NYSE	JWL	4.76	1.86	34¼	Chicago, Ill	39.0	**Weston R Christopherson**
54,401	16,459	NYSE	JWC	4.30	1.85	30	Tampa, Fla	23.2	**James W Walter**
181,351	22,881	NYSE	JM	2.47	1.92	24¾	Denver, Colo	31.0	**John A McKinney**
586,500	61,804	NYSE	JNJ	6.50	2.23	99¾	New Brunswick, NJ	74.3	**James E Burke**
83,793	13,055	NYSE	JOY	4.58	1.81	55⅝	Pittsburgh, Pa	13.2	**James W Wilcock**
452,864	123,379	NYSE	KM	2.07	0.90	17⅞	Troy, Mich	256.0	**Bernard M Fauber**
280,000	42,453	NYSE	KLU	5.91	1.30	22¾	Oakland, Cal	25.8	**Cornell C Maier**
176,071	7,018	NYSE	KSC	27.16	none	40⅝	Oakland, Cal	11.0	**Roland A Kjelland**
115,550	22,004	NYSE	KAB	3.14	0.83	34	Houston, Tex	5.8	**James R Whatley**
104,798	13,410	NYSE	KLT	4.36	2.69	20¼	Kansas City, Mo	2.6	**Arthur J Doyle**
242,069	76,432	NYSE	K	2.42	1.34	20¼	Battle Creek, Mich	21.3	**William E LaMothe**
488,012	12,926	NASDAQ	KEMC	6.57	1.40	32⅞	Long Grove, Ill	10.4	**Joseph E Luecke**
323,979	33,246	NYSE	KN	5.79	1.40	26⅞	Stamford, Conn	35.0	**Thomas D Barrow**
425,910	25,903	NYSE	KMG	7.02	1.74	79	Oklahoma City, Okla	11.1	**Dean A McGee**
23,909	7,215	NASDAQ	KEYB	3.36	1.20	14	Albany, NY	2.9	**Victor J Riley Jr**
125,484	9,523	NYSE	KDE	8.59	1.85	45⅝	Clifton, NJ	53.0	**Fred R Sullivan**
293,800	22,879	NYSE	KMB	7.85	3.12	53¼	Neenah, Wisc	31.3	**Darwin E Smith**
137,501	31,866	NYSE	KRN	2.87	0.73	27⅞	Miami, Fla	15.4	**Alvah H Chapman Jr**
138,083	27,647	NYSE	KOP	2.02	1.40	25	Pittsburgh, Pa	21.0	**Fletcher L Byrom**
209,322	27,772	NYSE	KR	3.41	1.40	21¾	Cincinnati, Ohio	115.0	**Lyle Everingham**
94,171	15,931	NYSE	LSI	4.23	1.19	40⅛	Santa Monica, Cal	24.4	**Robert T Campion**
266,759	40,916	NYSE	LVI	5.36	1.20	43	San Francisco, Cal	48.0	**Peter E Haas**
78,204	11,090	NYSE	LOF	2.17	1.70	22⅞	Toledo, Ohio	18.7	**Don T McKone**
14,790	2,316	NASDAQ	LIBN	4.17	1.08	29¼	Oklahoma City, Okla	0.9	**John W McLean**
206,780	18,792	NYSE	LNH	3.48	1.20	20½	Birmingham, Ala	5.6	**Frank P Samford Jr**
421,041	75,780	NYSE	LLY	4.52	2.20	63¾	Indianapolis, Ind	27.7	**Richard D Wood**
34,884	3,262	NASDAQ	LFBK	4.30	2.00	22¼	Rochester, NY	3.3	**Alexander D Hargrave**
778,720	20,813	NYSE	LNC	7.22	2.85	40	Fort Wayne, Ind	14.6	**Ian M Rolland**
465,218	38,036	NYSE	LIT	7.27	1.08	88⅞	Beverly Hills, Cal	75.4	**Charles B Thornton**
140,700	11,944	NYSE	LK	1.53	none	33½	Burbank, Cal	70.6	**Roy A Anderson**
675,426	13,277	NYSE	LTR	17.99	1.20	82⅞	New York, NY	29.4	**Laurence A Tisch**
93,716	10,819	NYSE	LCE	5.25	1.65	32⅛	Greenwich, Conn	9.7	**James E Stewart**
150,274	69,981	NYSE	LIL	2.53	1.82	14	Mineola, NY	5.6	**Charles R Pierce**
407,901	37,975	NYSE	LLX	4.74	1.80	49⅝	New Orleans, La	3.0	**John G Phillips**
149,670	29,770	NYSE	LPX	2.02	0.69	24	Portland, Ore	15.0	**Harry A Merlo**
252,278	36,849	NYSE	LTV	3.95	none	20¼	Dallas, Tex	63.6	**W Paul Thayer**
144,081	19,931	NYSE	LZ	5.74	1.80	66	Wickliffe, Ohio	4.2	**Lester E Coleman**
158,224	50,056	NYSE	LKS	1.80	1.09	15⅛	Dublin, Cal	65.0	**S Donley Ritchey**
32,269	36,170	NYSE	MAI	0.77	0.10	32⅛	Burlington, Mass	5.8	**Dr Lawrence Gould**
149,874	16,159	NYSE	MZ	6.48	1.43	42½	New York, NY	45.0	**Edward S Finkelstein**
49,364	9,435	NASDAQ	MALL	3.82	1.25	55½	St Louis, Mo	4.8	**Raymond F Bentele**
37,101	7,696	NYSE	MHI	3.26	1.16	35	Memphis, Tenn	7.1	**Joseph R Hyde III**
354,431	33,577	NYSE	MHC	6.87	2.52	32¾	New York, NY	24.9	**John F McGillicuddy**
42,544	5,070	NASDAQ	MNTL	5.48	2.20	22½	Detroit, Mich	3.9	**Dean E Richardson**
207,723	27,268	NYSE	MDA	4.48	1.65	42½	Tulsa, Okla	5.8	**Willis H Thompson Jr**

All share data adjusted for stock splits and stock dividends through May 11, 1981

THE DIMENSIONS OF AMERICAN BUSINESS

Where they rank: 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
145	51	44	57	**Marathon Oil (Dec)**	5,043,092	8,179,751	4,256,674	379,016
417	■	■	■	**Marine (Dec)**	1,971,162	182,888	44,976	11,696
34	305	■	472	**Marine Midland Banks (Dec)**	17,479,565	1,859,229	335,108	55,896
■	332	320	400	**Marriott (Dec)**	1,214,264	1,718,725	820,748	72,030
■	■	201	304	**Marsh & McLennan Companies (Dec)**	1,062,704	677,348	1,261,838	100,738
329	■	■	■	**Marshall & Ilsley (Dec)**	2,446,225	249,636	89,308	20,057
■	492	■	■	**Marshall Field (Jan)**	672,297	1,012,501	175,577	20,686
395	227	135	152	**Martin Marietta (Dec)**	2,069,418	2,619,327	1,811,849	188,133
177	■	■	■	**Maryland National (Dec)**	4,062,553	418,180	147,334	30,682
■	■	362	383	**Masco (Dec)**	862,387	766,440	747,711	77,180
369	177	341	262	**May Department Stores (Jan)**	2,259,344	3,172,976	772,343	116,915
■	317	■	■	**Oscar Mayer (Oct)**	609,768	1,774,269	256,320	22,122
325	387	238	241	**[S]MCA (Dec)**	2,477,252	1,403,747	1,136,744	125,372
203	171	165	337	**[19]McDermott (Mar)**	3,550,648	3,282,510	1,514,212	88,366
306	274	115	123	**McDonald's (Dec)**	2,643,369	2,184,344	1,956,776	220,893
185	71	126	207	**McDonnell Douglas (Dec)**	3,899,766	6,066,330	1,890,865	144,558
461	261	435	■	**McGraw-Edison (Dec)**	1,783,200	2,263,612	587,952	50,981
■	498	235	344	**McGraw-Hill (Dec)**	785,502	1,000,146	1,143,809	86,356
■	■	492	■	**MCI Communications (Mar)**	309,843	144,345	489,391	7,125
■	■	447	■	**McRae Consolidated Oil & Gas (Aug)**	113,459	145,074	567,264	9,543
449	218	388	233	**Mead (Dec)**	1,866,644	2,707,170	684,372	128,576
■	■	410	■	**Medtronic (Apr)**	256,760	270,366	638,589	38,674
37	350	419	272	**Mellon National (Dec)**	16,156,458	1,594,829	622,840	112,452
■	253	296	268	**Melville (Dec)**	889,468	2,332,244	889,948	114,707
153	■	■	■	**Mercantile Bancorporation (Dec)**	4,645,743	467,050	156,218	37,841
■	462	■	■	**Mercantile Stores (Jan)**	653,000	1,108,076	200,464	42,447
128	■	■	■	**Mercantile Texas (Dec)**	5,460,466	554,472	375,158	47,543
361	■	■	■	**Merchants National (Dec)**	2,272,330	234,810	61,760	13,770
273	215	23	49	**Merck (Dec)**	2,865,755	2,734,012	6,334,385	415,396
43	193	180	136	**Merrill Lynch (Dec)**	13,245,784	3,022,473	1,382,424	203,349
■	■	101	314	**Mesa Petroleum (Dec)**	1,426,850	328,297	2,133,664	95,236
■	■	390	361	**MGIC Investment (Dec)**	1,085,230	306,713	679,597	82,162
116	■	■	■	**Michigan National (Dec)**	5,757,203	605,155	165,524	40,034
81	250	206	142	**Middle South Utilities (Dec)**	7,334,879	2,342,228	1,234,525	195,907
216	■	■	■	**Midlantic Banks (Dec)**	3,403,976	309,660	86,438	28,082
144	70	22	24	**Minnesota Mining & Manufacturing (Dec)**	5,045,672	6,079,540	6,920,877	678,029
297	267	157	177	**Missouri Pacific (Dec)**	2,730,161	2,237,432	1,592,235	166,065
■	■	128	303	**Mitchell Energy & Development (Jan)**	1,180,144	696,044	1,876,909	100,835
14	2	8	4	**Mobil (Dec)**	32,705,000	59,510,000	17,167,127	2,813,000
115	63	83	200	**Monsanto (Dec)**	5,796,400	6,573,600	2,482,166	148,800
8	89	111	64	**J P Morgan (Dec)**	51,990,646	5,173,376	1,996,752	341,687
■	323	■	■	**Morrison-Knudsen (Dec)**	650,740	1,743,777	433,921	30,614
388	184	92	153	**Motorola (Dec)**	2,111,961	3,098,763	2,288,915	186,081
355	295	132	197	**Murphy Oil (Dec)**	2,308,329	1,966,722	1,865,050	150,547
■	231	307	236	**Nabisco (Dec)**	1,423,162	2,568,685	859,854	127,767
■	■	261	398	**Nalco Chemical (Dec)**	416,223	616,709	1,034,741	72,261
■	356	■	479	**National Can (Dec)**	816,050	1,550,950	200,205	55,010
424	■	■	■	**National Central Financial (Dec)**	1,937,496	199,892	65,526	16,974
127	■	■	■	**National City (Dec)**	5,490,181	522,527	266,152	46,793
482	333	309	295	**National Distillers & Chemical (Dec)**	1,678,487	1,709,821	850,216	103,348

■ Not on 500 list

[S] Figures include unconsolidated subsidiaries

[19] Formerly J Ray McDermott

A SUMMARY OF THE 500's RANKINGS

Cash flow ($000)	Share data: 1980 Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec 31)	Corporate headquarters	Number of employees (000)	Chief executive
800,785	60,165	NYSE	MRO	6.27	1.95	70¼	Findlay, Ohio	15.2	**Harold D Hoopman**
19,262	1,874	NASDAQ	MCRP	6.13	1.74	24	Milwaukee, Wisc	2.1	**George R Slater**
136,275	19,149	NYSE	MM	3.47	0.85	17½	Buffalo, NY	10.2	**Edward W Duffy**
150,292	25,061	NYSE	MHS	2.61	0.20	32¼	Bethesda, Md	66.5	**J Willard Marriott Jr**
103,205	36,708	NYSE	MMC	3.12	1.80	34⅜	New York, NY	14.6	**John M Regan Jr**
28,850	4,304	NASDAQ	MRIS	4.62	1.59	20¾	Milwaukee, Wisc	2.5	**John A Puelicher**
43,912	10,641	NYSE	MF	1.93	1.24	16½	Chicago, Ill	18.8	**Angelo R Arena**
321,634	24,948	NYSE	ML	7.55	2.32	72⅝	Bethesda, Md	34.7	**J Donald Rauth**
39,766	7,187	NASDAQ	MDNT	4.28	0.94	20½	Baltimore, Md	4.6	**Robert D H Harvey**
102,411	24,616	NYSE	MAS	3.03	0.64	30⅛	Taylor, Mich	9.4	**Richard A Manoogian**
274,591	29,145	NYSE	MA	4.01	1.51	26½	St Louis, Mo	66.0	**David C Farrell**
53,642	16,020	NYSE	OMC	1.38	1.10	16	Madison, Wisc	17.0	**Jerry M Hiegel**
307,241	23,744	NYSE	MCA	5.31	1.50	47⅞	Universal City, Cal	18.0	**Lew R Wasserman**
272,960	36,932	NYSE	MDE	1.77	1.35	41	New Orleans, La	58.0	**James E Cunningham**
377,172	40,139	NYSE	MCD	5.49	0.74	48¾	Oak Brook, Ill	117.0	**Fred L Turner**
251,500	38,296	NYSE	MD	3.65	0.86	49⅜	St Louis, Mo	82.6	**Sanford N McDonnell**
108,700	16,332	NYSE	MGR	3.12	1.80	36	Rolling Meadows, Ill	35.1	**Edward J Williams**
110,594	24,731	NYSE	MHP	3.48	1.52	46¼	New York, NY	14.2	**Harold W McGraw Jr**
32,472	36,590	NASDAQ	MCIC	−0.02	none	13⅜	Washington, DC	1.6	**William G McGowan**
21,369	14,928	NASDAQ	MCOG	0.64	none	38	Houston, Tex	0.1	**David Kelley**
172,400	26,322	NYSE	MEA	4.84	1.83	26	Dayton, Ohio	25.0	**C Greene Garner**
52,129	15,528	NYSE	MDT	2.52	0.39	41⅛	Minneapolis, Minn	4.3	**Dale R Olseth**
163,629	19,617	NASDAQ	MNBT	5.73	1.89	31¼	Pittsburgh, Pa	6.9	**J David Barnes**
169,201	25,610	NYSE	MES	4.54	1.60	34¾	Harrison, NY	49.7	**Francis C Rooney Jr**
61,058	5,895	NASDAQ	MTRC	6.42	2.40	26½	St Louis, Mo	3.3	**Donald E Lasater**
65,439	5,896	NYSE	MST	7.20	1.44	34	New York, NY	18.0	**Leon F Winbigler**
65,496	15,908	NYSE	MTD	2.99	0.88	23⅝	Dallas, Tex	3.7	**Gene H Bishop**
13,627	2,167	NASDAQ	MCHN	6.35	1.70	28½	Indianapolis, Ind	1.6	**Otto N Frenzel III**
524,370	74,742	NYSE	MRK	5.54	2.30	84¾	Rahway, NJ	31.6	**John J Horan**
245,664	37,237	NYSE	MER	5.51	1.04	37⅛	New York, NY	29.3	**Roger E Birk**
219,628	33,601	NYSE	MSA	2.78	0.11	63½	Amarillo, Tex	0.7	**Thomas B Pickens Jr**
146,784	22,466	NYSE	MGI	3.64	1.12	30¼	Milwaukee, Wisc	1.5	**Max H Karl**
84,333	9,882	NASDAQ	MNCO	3.98	1.14	16¾	Bloomfield Hills, Mich	6.8	**Stanford C Stoddard**
91,904	107,350	NYSE	MSU	2.01	1.58	11½	New Orleans, La	12.0	**Floyd W Lewis**
39,011	2,766	NASDAQ	MIDL	8.68	2.36	31¼	West Orange, NJ	3.4	**Robert Van Buren**
973,003	117,303	NYSE	MMM	5.78	2.80	59	St Paul, Minn	86.9	**Lewis W Lehr**
269,401	15,534	NYSE	MIS	10.70	3.31	102½	St Louis, Mo	22.0	**Downing B Jenks**
229,735	47,895	ASE	MND	2.10	0.11	39¼	The Woodlands, Tex	3.1	**George P Mitchell**
4,823,000	212,596	NYSE	MOB	13.24	3.45	80¾	New York, NY	212.8	**Rawleigh Warner Jr**
667,500	36,170	NYSE	MTC	4.10	3.55	68⅝	St Louis, Mo	62.9	**John W Hanley**
456,725	38,678	NYSE	JPM	8.33	2.80	51⅝	New York, NY	11.3	**Lewis T Preston**
65,272	9,563	NYSE	MRN	3.50	0.88	45⅛	Boise, Ida	28.2	**William H McMurren**
328,769	31,355	NYSE	MOT	5.96	1.40	73	Schaumburg, Ill	73.9	**Robert W Galvin**
622,193	37,301	NYSE	MUR	4.03	0.50	50	El Dorado, Ark	4.7	**Charles H Murphy Jr**
180,883	32,295	NYSE	NAB	3.96	1.62	26⅝	East Hanover, NJ	37.0	**Robert M Schaeberle**
86,222	19,995	NYSE	NLC	3.61	1.60	51¾	Oak Brook, Ill	4.4	**Orell T Collins**
90,734	8,898	NYSE	NAC	5.48	0.88	22½	Chicago, Ill	12.3	**Frank W Considine**
24,895	4,519	NASDAQ	NCFC	3.77	1.48	14½	Lancaster, Pa	1.8	**Wilson D McElhinny**
62,898	7,828	NASDAQ	NCTY	5.97	2.75	34	Cleveland, Ohio	3.4	**Julien L McCall**
157,701	31,933	NYSE	DR	2.96	2.00	26⅝	New York, NY	14.0	**Drummond C Bell**

All share data adjusted for stock splits and stock dividends through May 11, 1981.

Where they rank: 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
■	■	■	448	**National Gypsum (Dec)**	802,982	834,531	362,819	60,665
■	■	342	■	**National Medical Enterprises (May)**	596,196	610,770	771,228	29,493
■	■	299	■	**National Semiconductor (May)**	561,355	980,363	883,367	52,339
211	149	■	356	**National Steel (Dec)**	3,446,674	3,706,658	471,546	83,759
■	434	■	■	**National Tea (Dec)**	270,901	1,219,304	48,750	8,653
278	■	■	■	**Nationwide (Dec)**	2,831,923	651,012	205,620	36,118
458	410	125	132	**Natomas (Dec)**	1,798,123	1,315,645	1,902,364	208,370
57	488	■	391	**[20]NBD Bancorp (Dec)**	10,868,976	1,023,493	300,370	74,372
84	■	■	■	**NCNB (Dec)**	7,175,572	741,908	260,024	47,577
218	168	110	101	**NCR (Dec)**	3,366,455	3,322,370	1,998,300	254,686
385	468	■	384	**New England Electric System (Dec)**	2,119,796	1,090,101	455,091	76,360
272	■	■	■	**New England Merchants (Dec)**	2,889,656	353,305	88,493	22,029
447	■	■	338	**New York State Electric & Gas (Dec)**	1,871,981	645,314	434,499	88,204
■	■	218	140	**Newmont Mining (Dec)**	1,447,170	881,598	1,201,095	197,372
191	316	314	182	**Niagara Mohawk Power (Dec)**	3,808,819	1,777,115	836,945	162,639
404	325	329	302	**NICOR (Dec)**	2,034,693	1,740,432	797,563	101,399
465	281	80	175	**NL Industries (Dec)**	1,774,053	2,117,552	2,530,609	167,673
160	■	317	229	**NLT (Dec)**	4,414,170	748,185	822,866	132,911
■	■	223	■	**Noble Affiliates (Dec)**	445,110	271,196	1,188,466	49,186
267	353	195	111	**Norfolk & Western Railway System (Dec)**	2,921,862	1,576,273	1,307,668	232,416
■	223	484	389	**North American Philips (Dec)**	1,517,905	2,658,431	501,801	74,488
195	405	459	336	**Northeast Utilities (Dec)**	3,627,742	1,324,545	545,696	88,752
431	■	■	■	**Northern California Savings & Loan (Dec)**	1,912,394	189,925	72,320	3,609
320	397	■	399	**Northern Indiana Public Service (Dec)**	2,539,015	1,366,525	472,961	72,230
295	451	412	277	**Northern States Power (Dec)**	2,735,267	1,159,052	630,681	111,283
112	■	■	■	**Northern Trust (Dec)**	5,848,532	615,522	159,600	31,243
■	345	306	347	**Northrop (Dec)**	1,233,700	1,655,400	863,577	86,100
■	347	473	■	**Northwest Airlines (Dec)**	1,532,539	1,639,330	514,116	7,084
39	370	360	271	**Northwest Bancorporation (Dec)**	14,394,930	1,477,705	748,642	113,495
■	406	476	488	**Northwest Energy (Dec)**	1,072,101	1,323,432	510,765	54,075
362	207	237	191	**Northwest Industries (Dec)**	2,271,700	2,876,400	1,137,150	155,400
459	■	■	■	**Northwestern Financial (Dec)**	1,789,618	193,168	55,190	14,143
■	417	270	342	**Norton (Dec)**	953,356	1,281,798	988,500	86,688
313	199	375	242	**Norton Simon (June)**	2,620,218	2,959,063	718,484	124,730
92	27	71	23	**Occidental Petroleum (Dec)**	6,629,889	12,476,125	2,761,898	710,785
■	273	■	459	**Ogden (Dec)**	1,340,202	2,187,336	378,589	58,249
■	■	■	412	**Ohio Casualty (Dec)**	1,387,023	852,656	391,280	69,589
181	472	324	225	**Ohio Edison (Dec)**	3,979,965	1,080,869	813,746	135,150
468	■	■	433	**Oklahoma Gas & Electric (Dec)**	1,752,935	709,108	399,751	65,259
421	■	■	■	**Old Kent Financial (Dec)**	1,951,038	196,415	93,744	20,214
475	■	■	■	**Old Stone (Dec)**	1,734,011	159,699	35,640	11,201
■	308	■	■	**Olin (Dec)**	1,550,128	1,852,853	480,700	33,931
■	■	371	373	**Overseas Shipholding Group (Dec)**	1,067,901	298,543	729,274	79,062
■	259	321	486	**Owens-Corning Fiberglas (Dec)**	1,533,830	2,285,067	819,299	54,321
251	139	368	199	**Owens-Illinois (Dec)**	3,066,014	3,905,741	738,251	149,376
■	342	440	365	**PACCAR (Dec)**	772,588	1,673,708	583,334	81,088
50	86	77	37	**Pacific Gas & Electric (Dec)**	11,295,203	5,258,899	2,538,905	524,770
304	166	451	282	**Pacific Lighting (Dec)**	2,661,672	3,328,150	558,998	107,036
■	■	364	■	**Pacific Lumber (Dec)**	262,694	289,526	745,817	42,076
201	■	275	227	**Pacific Power & Light (Dec)**	3,559,071	975,433	970,271	133,866

■ Not on 500 list

[20] Formerly National Detroit.

A SUMMARY OF THE 500's RANKINGS

	Share data 1980								
Cash flow ($000)	Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec. 31)	Corporate headquarters	Number of employees (000)	Chief executive
97,408	16,586	NYSE	NG	3.66	1.48	21⅞	Dallas, Tex	13.5	**Robert E Scifres**
53,679	20,844	NYSE	NME	1.83	0.50	37	Los Angeles, Cal	18.1	**Richard K Eamer**
120,894	21,947	NYSE	NSM	2.58	none	40¾	Santa Clara, Cal	40.3	**Charles E Sporck**
104,994	18,768	NYSE	NS	4.42	2.35	25⅛	Pittsburgh, Pa	33.9	**Howard M Love**
34,344	10,000	NYSE	NTY	0.87	none	4⅞	Rosemont, Ill	12.0	**Valdyn W Schulz**
258,455	10,281	NASDAQ	NWDCA	3.51	0.66	20	Columbus, Ohio	1.8	**Dean W Jeffers**
374,657	51,765	NYSE	NOM	4.02	0.86	36¾	San Francisco, Cal	4.5	**Dorman L Commons**
106,217	12,260	NYSE	NBD	6.08	2.00	24½	Detroit, Mich	6.5	**Robert M Surdam**
74,405	19,261	NYSE	NCB	2.60	0.76	13½	Charlotte, NC	4.8	**Thomas I Storrs**
526,939	26,644	NYSE	NCR	9.51	1.90	75	Dayton, Ohio	68.0	**William S Anderson**
122,720	22,065	NYSE	NES	3.50	2.36	20⅞	Westborough, Mass	5.5	**Guy W Nichols**
38,134	3,105	NASDAQ	NEBK	6.85	1.76	28½	Boston, Mass	2.5	**Roderick M MacDougall**
128,702	29,210	NYSE	NGE	2.70	1.82	14⅞	Binghamton, NY	4.3	**Charles F Kennedy**
231,652	25,830	NYSE	NEM	7.64	2.03	46½	New York, NY	12.4	**Plato Malozemoff**
265,757	75,231	NYSE	NMK	1.87	1.50	11⅛	Syracuse, NY	9.7	**John G Haehl Jr**
239,115	20,385	NYSE	GAS	5.00	2.64	39⅝	Naperville, Ill	4.7	**Clarence J Gauthier**
228,064	33,134	NYSE	NL	4.94	1.30	76⅝	New York, NY	22.7	**Ray C Adam**
289,901	34,647	NYSE	NLT	3.84	1.32	23¾	Nashville, Tenn	13.8	**Russell L Wagner**
114,830	22,111	NYSE	NBL	2.28	0.15	53¾	Ardmore, Okla	1.8	**Roy Butler**
326,471	32,090	NYSE	NFK	7.36	2.20	40¾	Roanoke, Va	23.1	**John P Fishwick**
127,132	13,162	NYSE	NPH	5.70	1.70	38⅛	New York, NY	43.2	**Pieter C Vink**
227,537	68,212	NYSE	NU	1.31	1.10	8	Berlin, Conn	7.6	**Lelan F Sillin Jr**
6,889	5,120	NYSE	NCX	0.71	0.70	14⅛	Palo Alto, Cal	0.7	**Firmin A Gryp**
171,773	41,127	NYSE	NI	1.47	1.50	11½	Hammond, Ind	6.2	**Edmund A Schroer**
278,617	29,334	NYSE	NSP	3.23	2.35	21½	Minneapolis, Minn	7.2	**Donald W McCarthy**
39,909	4,800	NASDAQ	NTRS	6.51	2.26	33¼	Chicago, Ill	3.7	**Philip W K Sweet Jr**
98,200	14,274	NYSE	NOC	6.04	1.80	60½	Los Angeles, Cal	29.5	**Thomas V Jones**
77,934	21,647	NYSE	NWA	0.33	0.80	23¾	St Paul, Minn	12.7	**M Joseph Lapensky**
165,776	25,927	NYSE	NOB	4.39	1.44	28⅞	Minneapolis, Minn	12.0	**Chester C Lind**
107,432	16,024	NYSE	NWP	3.23	0.95	31⅞	Salt Lake City, Utah	1.5	**John G McMillian**
268,100	29,925	NYSE	NWT	5.03	2.17	38	Chicago, Ill	44.0	**Ben W Heineman**
30,180	4,697	NASDAQ	NWFN	2.75	0.58	11¾	Wilkesboro, NC	3.0	**Ben T Craig**
130,723	16,475	NYSE	NRT	5.25	1.65	60	Worcester, Mass	25.3	**Donald R Melville**
180,248	45,983	NYSE	NSI	2.57	1.05	15⅝	New York, NY	38.0	**David J Mahoney**
1,364,391	79,766	NYSE	OXY	8.82	1.75	34⅝	Los Angeles, Cal	33.7	**Armand Hammer**
109,266	12,262	NYSE	OG	4.56	1.40	30⅞	New York, NY	[illegible]	**Ralph E Ablon**
148,418	11,680	NASDAQ	OCAS	5.96	1.76	33½	Hamilton, Ohio	5.4	**John G Sloneker**
172,703	68,526	NYSE	OEC	1.52	1.76	11⅞	Akron, Ohio	7.4	**Justin T Rogers Jr**
129,490	31,353	NYSE	OGE	1.73	1.60	12¾	Oklahoma City, Okla	5.5	**James G Harlow Jr**
28,604	7,075	NASDAQ	OKEN	2.88	0.96	13¼	Grand Rapids, Mich	2.0	**Richard M Gillett**
16,033	1,980	NASDAQ	OSTN	5.60	1.92	18	Providence, RI	[illegible]	**Theodore W Barnes**
191,983	24,035	NYSE	OLN	1.41	1.03	20	Stamford, Conn	[illegible]	**John M Henske**
111,759	17,210	NYSE	OSG	4.59	0.46	42⅜	New York, NY	2.4	**Morton P Hyman**
161,001	30,628	NYSE	OCF	1.78	1.20	26¾	Toledo, Ohio	24.8	**William W Boeschenstein**
370,577	28,951	NYSE	OI	5.09	1.40	25½	Toledo, Ohio	61.4	**Edwin D Dodd**
83,924	8,245	NASDAQ	PCAR	9.83	3.85	70¼	Bellevue, Wash	12.5	**Charles M Pigott**
614,885	123,849	NYSE	PCG	3.60	2.56	20½	San Francisco, Cal	27.6	**Frederick W Mielke Jr**
179,706	25,409	NYSE	PLT	4.04	2.29	22	Los Angeles, Cal	9.4	**Paul A Miller**
51,419	24,156	NYSE	PL	1.74	1.20	30⅞	San Francisco, Cal	4.0	**Robert B Hoover**
264,231	45,930	NYSE	PPW	2.53	2.04	21⅛	Portland, Ore	8.0	**Don C Frisbee**

All share data adjusted for stock splits and stock dividends through May 11, 1981

Where they rank 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
204	■	■	■	**Paine Webber (Sept)**	3,500,335	895,666	173,670	-6,893
■	■	469	■	**Pall (July)**	132,530	140,803	522,600	18,873
219	134	■	369	**Pan American World Airways (Dec)**	3,365,588	4,016,060	302,562	80,266
235	241	143	157	**Panhandle Eastern Pipe Line (Dec)**	3,228,455	2,472,235	1,699,327	183,700
■	■	269	■	**Parker Drilling (Aug)**	465,101	383,080	993,016	39,793
■	489	493	471	**Parker-Hannifin (June)**	553,693	1,022,376	489,093	53,974
■	■	471	■	**Parsons (Dec)**	287,685	773,135	516,715	26,785
■	■	495	■	**Peabody International (Sept)**	449,513	683,862	487,665	17,554
298	293	323	319	**Penn Central (Dec)**	2,726,900	2,013,700	815,643	93,600
363	■	■	■	**PennCorp Financial (Dec)**	2,267,876	479,044	135,715	21,666
110	30	147	110	**J C Penney (Jan)**	5,863,000	11,353,000	1,646,410	233,000
166	■	332	164	**Pennsylvania Power & Light (Dec)**	4,300,080	885,451	791,047	179,759
■	442	■	■	**Pennwalt (Dec)**	830,045	1,188,702	249,426	43,291
317	240	75	74	**Pennzoil (Dec)**	2,591,582	2,483,015	3,592,902	308,509
229	196	169	220	**Peoples Energy (Sept)**	3,288,074	3,016,237	1,462,556	137,564
214	72	82	78	**PepsiCo (Dec)**	3,417,538	5,975,220	2,487,298	291,752
■	■	170	418	**Perkin-Elmer (July)**	741,123	996,149	1,461,794	68,245
■	■	442	■	**Petro-Lewis (June)**	304,578	111,087	581,364	22,259
■	380	188	392	**Petrolane (Sept)**	707,079	1,425,416	1,343,874	74,008
■	■	474	■	**Petrolite (Oct)**	175,544	253,841	512,066	24,885
220	192	50	100	**Pfizer (Dec)**	3,363,669	3,029,280	3,930,645	254,753
387	376	336	328	**Phelps Dodge (Dec)**	2,112,104	1,440,157	783,648	91,314
120	279	229	115	**Philadelphia Electric (Dec)**	5,702,549	2,123,394	1,157,913	227,131
103	■	■	■	**Philadelphia National (Dec)**	6,209,688	658,643	192,920	40,111
■	■	489	■	**Philadelphia Suburban (Dec)**	424,470	337,962	493,192	35,988
77	58	30	32	**Philip Morris (Dec)**	7,366,400	7,328,300	5,397,600	576,800
61	22	16	14	**Phillips Petroleum (Dec)**	9,844,382	13,376,563	8,940,575	1,069,614
415	191	347	287	**Pillsbury (May)**	1,983,700	3,032,000	751,988	104,700
■	■	245	329	**Pioneer (Dec)**	703,290	911,989	1,105,842	90,556
■	■	414	465	**Pioneer Hi-Bred International (Aug)**	343,154	405,884	629,907	57,245
■	427	481	387	**Pitney Bowes (Dec)**	1,094,402	1,257,294	504,492	75,136
102	■	■	■	**Pittsburgh National (Dec)**	6,224,959	631,555	275,722	48,173
■	291	277	381	**Pittston (Dec)**	1,345,751	2,051,611	964,665	77,412
■	■	304	489	**Pogo Producing (Dec)**	553,418	220,394	875,315	54,030
■	375	319	350	**Polaroid (Dec)**	1,394,567	1,450,785	821,375	85,406
399	■	■	346	**Portland General Electric (Dec)**	2,061,683	490,257	419,209	86,200
■	■	443	■	**Potlatch (Dec)**	1,021,644	819,593	574,933	49,407
338	■	466	292	**Potomac Electric Power (Dec)**	2,396,855	856,058	530,603	104,085
280	178	183	131	**PPG Industries (Dec)**	2,825,900	3,158,400	1,380,480	209,200
■	■	215	■	**Prime Computer (Dec)**	233,094	267,657	1,206,233	31,222
95	32	29	29	**Procter & Gamble (June)**	6,553,359	10,772,186	5,690,651	642,838
348	■	■	429	**Provident Life & Accident (Dec)**	2,345,836	972,688	442,980	66,652
291	■	■	■	**Provident National (Dec)**	2,751,615	295,371	131,595	29,055
373	452	444	354	**Public Service Co of Colorado (Dec)**	2,216,570	1,155,644	569,858	85,027
284	■	378	247	**Public Service Company of Indiana (Dec)**	2,808,877	645,688	706,178	132,087
■	■	■	451	**Public Service Co of New Hampshire (Dec)**	1,254,228	351,247	261,683	59,847
■	■	■	405	**Public Service Company of New Mexico (Dec)**	1,458,412	280,516	322,518	71,436
91	197	198	92	**Public Service Electric & Gas (Dec)**	6,724,860	2,994,054	1,302,455	275,401
■	242	424	310	**Quaker Oats (June)**	1,334,200	2,405,200	613,599	96,400
138	■	■	■	**Rainier Bancorporation (Dec)**	5,221,638	569,384	236,769	38,876

■ Not on 500 list

A SUMMARY OF THE 500's RANKINGS

Cash flow ($000)	Shares outstanding (000)	Share data 1980 Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price Dec 31	Corporate headquarters	Number of employees (000)	Chief executive
-6,919	7,676	NYSE	PWJ	1.32	0.44	22⅝	New York, NY	7.9	**Donald B Marron**
25,926	13,400	ASE	PLI	1.42	0.29	39	Glen Cove, NY	3.0	**Abraham Krasnoff**
314,345	71,191	NYSE	PN	1.13	none	4¼	New York, NY	48.6	**William T Seawell**
441,952	37,868	NYSE	PEL	4.86	1.74	44⅞	Houston, Tex	6.8	**Richard L O'Shields**
89,368	28,576	NYSE	PKD	1.54	0.12	34¼	Tulsa, Okla	6.0	**Robert L Parker**
83,743	15,049	NYSE	PH	3.80	1.26	32½	Cleveland, Ohio	20.6	**Patrick S Parker**
31,152	12,158	ASE	RMP	2.21	0.83	42½	Pasadena, Cal	8.6	**William E Leonhard**
30,040	10,837	NYSE	PBD	1.66	0.32	45	Stamford, Conn	9.7	**John E McConnaughy Jr**
261,600	21,324	NYSE	PC	2.72	none	38¼	New York, NY	33.2	**Richard Dicker**
177,672	18,767	NYSE	PCF	1.12	0.16	7⅜	Santa Monica, Cal	2.9	**[23]Stanley Beyer**
384,000	70,060	NYSE	JCP	3.33	1.82	23½	New York, NY	194.0	**Donald V Seibert**
113,775	50,627	NYSE	PPL	2.64	2.10	15⅝	Allentown, Pa	7.6	**Robert K Campbell**
89,505	8,948	NYSE	PSM	4.20	2.20	27⅞	Philadelphia, Pa	13.0	**Edwin E Tuttle**
618,173	51,472	NYSE	PZL	5.90	2.00	50⅝	Houston, Tex	10.2	**J Hugh Liedtke**
340,146	28,890	NYSE	PGL	5.01	3.00	30⅝	Chicago, Ill	8.3	**Orval C Davis**
492,607	91,277	NYSE	PEP	3.20	1.26	27¼	Purchase, NY	111.0	**Donald M Kendall**
93,205	42,066	NYSE	PKN	1.67	0.36	34¼	Norwalk, Conn	14.6	**Robert H Sorensen**
66,064	18,456	ASE	PTL	1.09	none	31½	Denver, Colo	1.2	**Jerome A Lewis**
129,781	25,906	NYSE	PTO	2.93	0.70	51⅞	Long Beach, Cal	14.9	**Rudolph J Munzer**
34,996	11,874	NASDAQ	PLIT	2.10	0.60	43½	St. Louis, Mo	1.9	**Ellis L Brown**
352,560	73,470	NYSE	PFE	3.48	1.44	53½	New York, NY	41.1	**Edmund T Pratt Jr**
162,853	20,881	NYSE	PD	4.20	1.55	37⅞	New York, NY	15.1	**George B Munroe**
323,016	92,633	NYSE	PE	2.00	1.80	12½	Philadelphia, Pa	9.6	**James L Everett**
61,882	5,824	NASDAQ	PHNA	6.89	2.64	33⅝	Philadelphia, Pa	5.0	**G Morris Dorrance Jr**
63,633	8,807	NYSE	PSC	4.06	1.21	56	Radnor, Pa	3.7	**James M Ballengee**
838,100	124,800	NYSE	MO	4.63	1.51	43¼	New York, NY	72.0	**George Weissman**
1,927,906	152,180	NYSE	P	7.01	1.80	58¼	Bartlesville, Okla	32.4	**William C Douce**
182,100	20,053	NYSE	PSY	5.22	1.79	37½	Minneapolis, Minn	59.5	**William H Spoor**
166,062	37,328	NYSE	PNA	2.44	0.75	29⅝	Amarillo, Tex	3.0	**K Bert Watson**
66,069	15,947	NASDAQ	PHYB	3.59	0.90	39½	Des Moines, Iowa	2.1	**Thomas N Urban**
153,103	14,838	NYSE	PBI	4.31	1.45	34	Stamford, Conn	26.1	**Fred T Allen**
70,125	6,196	NASDAQ	PITS	7.77	2.75	44½	Pittsburgh, Pa	3.5	**Merle E Gilliand**
179,307	37,830	NYSE	PCO	2.06	1.20	23½	Greenwich, Conn	15.8	**Nicholas T Camicia**
138,925	24,920	NYSE	PPP	2.13	0.44	35⅝	Houston, Tex	0.2	**William C Liedtke Jr**
148,165	32,855	NYSE	PRD	2.60	1.00	25	Cambridge, Mass	18.0	**William J McCune Jr**
157,912	36,061	NYSE	PGN	2.03	1.70	11⅞	Portland, Ore	3.0	**Robert H Short**
107,161	15,230	NYSE	PCH	3.25	1.34	37¼	San Francisco, Cal	10.2	**Richard B Madden**
250,077	42,877	NYSE	POM	2.10	1.46	12⅜	Washington, DC	5.3	**W Reid Thompson**
358,500	33,386	NYSE	PPG	6.34	2.12	40¾	Pittsburgh, Pa	37.3	**L Stanton Williams**
47,857	29,242	NYSE	PRM	1.07	none	41¼	Natick, Ma	3.3	**Kenneth G Fisher**
883,013	82,710	NYSE	PG	7.78	3.60	68⅞	Cincinnati, Ohio	60.7	**John G Smale**
195,337	9,844	NASDAQ	PACC	6.77	1.78	45	Chattanooga, Tenn	3.6	**H Carey Hanlin**
32,551	4,245	NASDAQ	PROV	6.81	2.33	31	Philadelphia, Pa	2.3	**Roger S Hillas**
161,897	39,990	NYSE	PSR	1.92	1.60	14¼	Denver, Colo	6.2	**Richard F Walker**
225,560	33,948	NYSE	PIN	3.21	2.44	20⅝	Plainfield, Ind	4.7	**Hugh A Barker**
60,726	18,204	NYSE	PNH	2.77	2.12	14⅝	Manchester, NH	1.8	**William C Tallman**
82,555	16,330	NYSE	PNM	3.36	2.04	19¼	Albuquerque, NM	2.5	**Jerry D Geist**
383,522	76,615	NYSE	PEG	3.13	2.29	17	Newark, NJ	12.8	**Robert I Smith**
161,000	20,118	NYSE	OAT	4.55	1.45	30½	Chicago, Ill	31.0	**Robert D Stuart Jr**
67,906	9,377	NASDAQ	RBAN	4.15	1.24	25¼	Seattle, Wash	5.6	**G Robert Truex Jr**

All share data adjusted for stock splits and stock dividends through May 11, 1981

[23] Office jointly held with Burton Borman

THE DIMENSIONS OF AMERICAN BUSINESS

Where they rank: 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
370	101	239	181	**Ralston Purina (Sept)**	2,246,500	4,886,000	1,133,318	163,000
■	■	402	■	**Raychem (June)**	403,909	462,377	656,232	36,488
263	98	39	84	**Raytheon (Dec)**	2,928,535	5,002,088	4,385,130	282,257
85	53	94	71	**RCA (Dec)**	7,146,300	8,011,300	2,209,323	315,300
■	■	274	401	**Reading & Bates (Dec)**	714,875	407,447	974,848	71,895
301	400	■	375	**Reliance Group (Dec)**	2,681,239	1,350,933	460,046	78,555
98	■	■	462	**Republic New York (Dec)**	6,446,902	771,004	332,465	57,741
46	428	425	341	**Republic of Texas (Dec)**	11,866,990	1,246,311	611,354	86,878
254	146	■	■	**Republic Steel (Dec)**	3,016,832	3,760,042	382,323	50,983
■	466	■	■	**Revco D S (May)**	367,087	1,092,797	407,430	38,916
368	272	141	147	**Revlon (Dec)**	2,260,260	2,203,324	1,728,528	192,407
■	470	■	■	**Rexnord (Oct)**	794,907	1,083,690	366,953	41,549
78	46	38	26	**R J Reynolds Industries (Dec)**	7,355,300	8,449,000	4,749,517	670,400
248	153	395	162	**Reynolds Metals (Dec)**	3,097,374	3,653,228	675,672	180,275
■	■	■	390	**[22]Richardson-Vicks (June)**	692,233	929,207	NA	74,484
243	■	■	■	**Riggs National Bank of Washington DC (Dec)**	3,149,394	289,216	145,112	24,339
■	454	383	411	**Roadway Express (Dec)**	586,031	1,154,862	692,169	69,657
158	60	57	88	**Rockwell International (Sept)**	4,430,900	6,906,500	3,383,775	280,200
■	331	432	318	**Rohm & Haas (Dec)**	1,240,456	1,725,304	598,177	93,744
■	■	487	■	**Rollins (June)**	281,012	400,386	493,776	35,276
■	■	331	■	**ROLM (June)**	117,585	200,729	792,319	17,340
■	■	256	407	**Rowan Companies (Dec)**	479,623	255,164	1,067,355	71,166
488	339	■	468	**Ryder System (Dec)**	1,646,191	1,694,096	461,586	56,517
■	■	301	■	**Sabine (Dec)**	243,229	119,631	879,368	25,142
312	409	385	281	**Safeco (Dec)**	2,623,921	1,317,319	690,204	107,384
225	18	330	255	**Safeway Stores (Dec)**	3,338,832	15,102,673	796,538	119,368
467	418	164	261	**St Joe Minerals (Dec)**	1,764,891	1,279,083	1,518,725	117,082
170	304	325	278	**St Paul Companies (Dec)**	4,252,380	1,868,314	812,123	110,403
308	216	242	171	**St Regis Paper (Dec)**	2,642,236	2,714,175	1,120,043	170,492
413	■	■	■	**San Diego Gas & Electric (Dec)**	1,985,534	960,444	428,511	52,046
■	■	499	■	**Sanders Associates (July)**	234,985	281,057	485,063	18,528
165	175	61	76	**Santa Fe Industries (Dec)**	4,330,200	3,215,000	3,005,915	301,800
■	436	168	367	**Santa Fe International (Dec)**	1,404,004	1,209,494	1,492,449	80,941
414	327	99	108	**Schering-Plough (Dec)**	1,983,900	1,740,400	2,151,441	239,300
136	102	5	16	**Schlumberger Limited (Dec)**	5,242,002	4,883,944	22,347,468	994,347
■	303	■	491	**SCM (June)**	1,008,588	1,892,392	231,576	53,861
408	283	327	228	**Scott Paper (Dec)**	2,013,952	2,083,235	807,362	133,506
64	485	■	419	**Seafirst (Dec)**	9,787,714	1,036,510	435,708	68,166
■	471	178	351	**G D Searle (Dec)**	1,129,998	1,081,558	1,409,039	85,341
18	12	37	33	**Sears Roebuck (Jan)**	28,169,300[23]	25,123,700	4,808,828	566,000
■	426	■	■	**Seatrain Lines (June)**	913,414	1,257,495	30,768	-35,258
19	182	281	160	**Security Pacific (Dec)**	27,794,208	3,116,693	952,016	181,304
■	■	171	■	**SEDCO (June)**	670,766	372,904	1,459,358	38,569
208	■	■	■	**Shawmut (Dec)**	3,456,207	346,088	86,020	16,701
364	■	441	474	**Shearson Loeb Rhoades(June)**	2,267,691	652,466	583,050	55,805
33	16	6	10	**Shell Oil (Dec)**	17,615,000	19,830,000	17,991,503	1,542,000
■	424	■	■	**Sherwin-Williams (Dec)**	768,592	1,263,721	174,447	24,864
■	404	■	■	**Sigmor (June)**	452,803	1,327,605	311,550	48,118
247	119	140	174	**Signal Companies (Dec)**	3,100,600	4,335,600	1,743,247	167,700
■	214	■	■	**Singer (Dec)**	1,529,300	2,786,600	199,092	38,100

■ Not on 500 list
NA: not available

[22] Pro forma results after the divestiture of the Merrell ethical pharmaceutical businesses in March, 1981. As a result the market value of common at Dec 31, is not available.

[23] Assets as of 10/31/80.

A SUMMARY OF THE 500's RANKINGS

	Share data: 1980								
Cash flow ($000)	Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec 31)	Corporate headquarters	Number of employees (000)	Chief executive
274,000	107,935	NYSE	RAL	1.51	0.64	10½	St Louis, Mo	69.8	**R Hal Dean**
57,694	8,868	NASDAQ	RAYC	4.22	0.38	74	Menlo Park, Cal	7.9	**Paul M Cook**
425,601	41,683	NYSE	RTN	6.80	2.00	110	Lexington, Mass	77.9	**Thomas L Phillips**
750,000	75,211	NYSE	RCA	3.35	1.75	29⅜	New York, NY	133.0	**Edgar H Griffiths**
110,531	18,307	NYSE	RB	3.72	0.60	53¾	Tulsa, Okla	3.9	**John W Bates Jr**
195,550	6,302	NYSE	REL	10.46	2.50	73	New York, NY	9.4	**Saul P Steinberg**
104,651	10,856	NYSE	RNB	5.15	0.85	30⅝	New York, NY	2.0	**Walter H Weiner**
119,146	17,981	NYSE	RPT	4.81	1.12	34	Dallas, Tex	5.8	**James D Berry**
177,798	16,183	NYSE	RS	3.15	2.00	23⅜	Cleveland, Ohio	40.7	**William J De Lancey**
50,463	13,581	NYSE	RDS	2.88	0.90	30	Twinsburg, Ohio	17.5	**Sidney Dworkin**
248,008	36,011	NYSE	REV	4.87	1.56	48	New York, NY	36.9	**Michel C Bergerac**
70,823	20,107	NYSE	REX	2.09	1.04	18¼	Milwaukee, Wisc	17.6	**Robert V Krikorian**
1,171,000	104,099	NYSE	RJR	6.23	2.18	45⅜	Winston-Salem, NC	81.5	**J Paul Sticht**
281,900	19,168	NYSE	RLM	9.32	2.25	35¼	Richmond, Va	36.8	**David P Reynolds**
87,329	23,166	NYSE	RVI	3.15	none	NA	Milton, Conn	10.0	**John S Scott**
35,547	2,992	NASDAQ	RIGS	8.13	2.90	48½	Washington, DC	2.2	**Vincent C Burke Jr**
123,213	19,636	NASDAQ	ROAD	3.55	0.95	33¼	Akron, Ohio	21.2	**William F Spitznagel**
406,800	75,195	NYSE	ROK	3.77	1.38	45	Pittsburgh, Pa	108.2	**Robert Anderson**
193,557	12,903	NYSE	ROH	7.26	2.16	46⅝	Philadelphia, Pa	13.2	**Vincent L Gregory Jr**
59,042	27,432	NYSE	ROL	1.31	0.42	18	Altanta, Ga	13.0	**O Wayne Rollins**
22,007	16,948	NYSE	RM	1.09	none	46¾	Santa Clara, Cal	3.1	**M Kenneth Oshman**
124,594	47,438	NYSE	RDC	1.49	0.04	22½	Houston, Tex	1.5	**Charles R Palmer**
266,088	17,017	NYSE	RDR	3.32	1.04	27⅛	Miami, Fla	19.0	**Leslie O Barnes**
59,420	14,535	NYSE	SAB	1.74	0.30	60½	Dallas, Tex	0.3	**Ashley H Priddy**
108,758	19,106	NASDAQ	SAFC	5.58	1.80	36⅛	Seattle, Wash	11.2	**Roland M Trafton**
335,043	26,116	NYSE	SA	4.57	2.60	30½	Oakland, Cal	149.4	**Peter A Magowan**
230,149	45,335	NYSE	SJO	2.60	0.78	33½	New York, NY	12.0	**John C Duncan**
479,895	20,958	NASDAQ	STPL	5.27	2.00	38¾	St Paul, Minn	11.2	**Carl B Drake Jr**
279,772	32,465	NYSE	SBT	5.18	2.03	34½	New York, NY	29.7	**William R Haselton**
104,125	36,469	NYSE	SDO	1.01	1.54	11¾	San Diego, Cal	4.8	**Robert E Morris**
25,854	7,761	NYSE	SAA	2.65	0.52	62½	Nashua, NH	6.5	**Jack L Bowers**
535,900	29,326	NYSE	SFF	10.42	2.60	102½	Chicago, Ill	42.5	**John S Reed**
258,528	48,240	NYSE	SAF	1.85	0.36	30⅞	Orange, Cal	10.8	**Edfred L Shannon Jr**
288,500	53,122	NYSE	SGP	4.45	1.56	40½	Kenilworth, NJ	27.4	**Richard J Bennett**
1,184,701	191,004	NYSE	SLB	5.21	0.87	117	New York, NY	83.1	**Jean Riboud**
93,021	9,649	NYSE	SCM	5.55	1.55	24	New York, NY	28.0	**Paul H Elicker**
240,210	38,909	NYSE	SPP	3.43	1.00	20¾	Philadelphia, Pa	20.5	**Charles D Dickey Jr**
121,878	15,288	NYSE	SFC	4.48	1.20	28½	Seattle, Wash	7.7	**William M Jenkins**
165,092	52,187	NYSE	SRL	1.61	0.52	27	Skokie, Ill	18.3	**Donald H Rumsfeld**
1,500,000E	315,333	NYSE	S	1.79	1.34	15¼	Chicago, Ill	390.0	**Edward R Telling**
−1,777	14,479	NYSE	SEA	−2.44	none	2⅛	New York, NY	1.9	**Howard M Pack**
380,316	27,695	NYSE	SPC	6.55	1.95	34⅜	Los Angeles, Cal	24.6	**Richard J Flamson III**
93,588	31,768	NYSE	SED	1.24	0.24	45⅞	Dallas, Tex	8.1	**B Gill Clements**
31,943	3,740	NASDAQ	SHAS	4.47	1.35	23	Boston, Mass	3.7	**John P LaWare**
55,365	15,548	NYSE	SHE	4.66	0.37	37½	New York, NY	9.3	**Sanford I Weill**
2,989,000	308,867	NYSE	SUO	4.99	1.45	58¼	Houston, Tex	36.6	**John F Bookout**
49,496	9,828	NYSE	SHW	2.44	0.60	17¾	Cleveland, Ohio	16.8	**John G Breen**
64,923	16,750	NASDAQ	SGMOA	2.87	0.40	18⅝	San Antonio, Tex	5.2	**Tom E Turner**
238,500	57,628	NYSE	SGN	2.89	0.69	30¾	San Diego, Cal	51.7	**Forrest N Shumway**
50,900	16,591	NYSE	SMF	1.92	0.10	12	Stamford, Conn	71.0	**Joseph B Flavin**

All share data adjusted for stock splits and stock dividends through May 11, 1981

NA: Not available

E: Estimate

THE DIMENSIONS OF AMERICAN BUSINESS

Where they rank: 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
■	■	173	372	**Smith International (Dec)**	824,442	784,130	1,444,060	79,072
■	318	32	75	**SmithKline (Dec)**	1,554,411	1,771,938	5,317,200	307,994
213	■	■	■	**Society (Dec)**	3,431,183	340,239	115,955	26,242
457	■	■	439	**South Carolina Electric & Gas (Dec)**	1,802,392	630,746	374,219	63,700
497	■	■	■	**South Carolina National (Dec)**	1,603,232	169,979	80,997	18,102
111	■	■	■	**Southeast Banking (Dec)**	5,853,575	603,446	264,334	47,843
450	■	■	■	**Southern Bancorp of Alabama (Dec)**	1,860,579	211,422	84,019	18,505
73	152	118	69	**Southern California Edison (Dec)**	7,733,898	3,661,117	1,943,759	317,536
49	144	105	62	**Southern Company (Dec)**	11,466,555	3,763,483	2,066,538	344,395
384	321	174	215	**Southern Natural Resources (Dec)**	2,134,023	1,744,484	1,435,809	139,521
464	■	■	379	**Southern New England Telephone (Dec)**	1,776,948	825,013	450,141	77,800
132	208	246	190	**Southern Pacific (Dec)**	5,329,900	2,859,700	1,103,257	155,900
242	348	204	161	**Southern Railway (Dec)**	3,164,815	1,637,712	1,241,069	180,918
■	111	500	380	**Southland (Dec)**	1,495,385	4,758,656	484,702	77,672
■	■	151	444	**Southland Royalty (Dec)**	612,998	366,571	1,625,489	62,289
175	■	■	■	**Southwest Bancshares (Dec)**	4,158,193	377,983	243,867	29,476
169	109	74	91	**Sperry (Mar)**	4,262,186	4,785,425	2,593,178	277,092
■	500	366	358	**Square D (Dec)**	741,189	998,973	740,399	83,083
434	341	175	238	**Squibb (Dec)**	1,905,669	1,675,780	1,431,547	127,426
■	344	435	393	**A E Staley Manufacturing (Sept)**	741,776	1,655,992	587,952	73,810
496	195	339	289	**Standard Brands (Dec)**	1,608,441	3,018,466	773,822	104,384
24	6	9	5	**Standard Oil Calif (Dec)**	22,139,603	40,479,200	16,979,874	2,400,779
26	11	4	7	**Standard Oil Indiana (Dec)**	20,167,474	26,133,080	23,352,415	1,915,314
45	31	7	8	**Standard Oil Ohio (Dec)**	12,080,050	11,023,196	17,685,000	1,811,224
256	■	■	■	**State Street Boston (Dec)**	3,009,109	321,036	86,089	21,916
389	338	239	222	**Stauffer Chemical (Dec)**	2,111,564	1,695,219	1,038,012	136,575
■	337	182	245	**Sterling Drug (Dec)**	1,258,386	1,701,433	1,373,782	123,337
■	301	■	■	**J P Stevens (Oct)**	1,070,352	1,915,959	205,043	20,317
■	289	■	■	**Stop & Shop Companies (Jan)**	474,549	2,059,183	61,702	12,163
■	■	416	■	**Storage Technology (Dec)**	738,119	603,493	627,776	45,400
422	■	■	■	**Sumitomo Bank of California (Dec)**	1,948,648	197,705	47,539	10,738
228	■	■	■	**Sun Banks of Florida (Dec)**	3,311,942	326,062	167,098	27,279
55	25	27	21	**Sun Company (Dec)**	10,955,000	12,945,000	5,957,348	723,000
■	386	■	■	**Sunbeam (Mar)**	892,927	1,406,429	252,540	49,060
■	■	267	374	**Sundstrand (Dec)**	786,694	926,026	1,001,011	78,934
■	126	463	477	**Super Valu Stores (Feb)**	593,291	4,203,665	535,301	55,577
207	368	34	67	**Superior Oil (Dec)**	3,461,473	1,497,695	5,029,596	334,458
■	225	■	■	**Supermarkets General (Jan)**	572,884	2,628,851	158,082	26,067
■	■	452	■	**Supron Energy (Dec)**	155,014	66,266	558,085	20,093
■	439	■	■	**Sysco (June)**	275,678	1,198,355	252,466	20,438
■	■	298	■	**Tandem Computers (Sept)**	95,701	108,989	887,680	10,687
■	391	78	273	**Tandy (June)**	710,298	1,384,637	2,533,629	112,235
■	■	240	353	**Tektronix (May)**	841,693	971,306	1,129,590	85,072
■	■	344	■	**Tele-Communications (Dec)**	348,577	124,395	765,791	8,253
143	158	63	65	***Teledyne (Dec)**	5,145,567	3,920,127	2,976,048	338,579
■	■	460	■	**Teleprompter (Dec)**	385,037	203,558	542,736	23,191
40	24	26	20	**Tenneco (Dec)**	13,852,989	13,226,146	6,062,634	725,572
383	■	■	■	**Tennessee Valley Bancorp (Dec)**	2,139,030	223,380	40,701	8,081
■	156	■	293	**Tesoro Petroleum (Sept)**	707,853	3,528,335	293,432	104,030
21	4	13	6	**Texaco (Dec)**	26,430,355	51,195,830	12,891,408	2,240,239

■ Not on 500 list

*Figures include unconsolidated subsidiaries

A SUMMARY OF THE 500's RANKINGS

	Share data 1980								
Cash flow ($000)	Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price Dec 31	Corporate headquarters	Number of employees (000)	Chief executive
117,666	22,432	NYSE	SH	3.75	0.62	64⅜	Newport Beach, Cal	10.5	**Jerry W Neely**
357,698	66,465	NYSE	SKL	4.65	1.73	80	Philadelphia, Pa	21.2	**Robert F Dee**
38,995	6,722	NASDAQ	SOCI	3.90	1.32	17¼	Cleveland, Ohio	3.0	**J Maurice Struchen**
87,604	26,261	NYSE	SCG	2.02	1.73	14¾	Columbia, SC	3.3	**Virgil C Summer**
28,299	4,263	NASDAQ	SCNC	4.25	1.20	19	Columbia, SC	2.9	**James G Lindley**
76,987	13,384	NYSE	STB	3.23	0.88	19¾	Miami, Fla	5.8	**Charles J Zwick**
32,288	7,306	NASDAQ	SBNC	2.53	0.92	11½	Birmingham, Ala	2.3	**Wallace D Malone Jr**
397,714	73,854	NYSE	SCE	3.50	2.78	25⅝	Rosemead, Cal	13.5	**William R Gould**
930,425	168,697	NYSE	SO	2.23	1.56	12¾	Atlanta, Ga	27.3	**Alvin W Vogtle Jr**
281,655	20,475	NYSE	NRG	6.85	1.68	70⅛	Birmingham, Ala	5.7	**Henry C Goodrich**
226,068	13,095	NYSE	SNG	5.60	3.60	34⅜	New Haven, Conn	14.4	**Alfred W Van Sinderen**
343,400	26,991	NYSE	SX	5.78	2.60	40⅞	San Francisco, Cal	54.3	**Benjamin F Biaggini**
319,267	15,417	NYSE	SR	11.57	3.68	80½	Washington, DC	21.3	**Harold H Hall**
176,220	23,644	NYSE	SLC	3.29	0.93	20½	Dallas, Tex	44.6	**John P Thompson**
150,892	46,609	NYSE	SRO	1.34	0.31	34⅞	Fort Worth, Tex	0.5	**Jon Brumley**
38,854	6,591	NYSE	SWB	4.51	1.48	37	Houston, Tex	2.7	**John T Cater**
479,003	40,918	NYSE	SY	7.60	1.66	63⅜	New York, NY	89.1	**J Paul Lyet**
109,645	25,531	NYSE	SQD	3.41	1.60	29	Palatine, Ill	22.0	**Mitchell P Kartalia**
158,327	48,527	NYSE	SQB	2.65	1.16	29½	New York, NY	27.0	**Richard M Furlaud**
114,319	21,776	NYSE	STA	3.51	0.70	23	Decatur, Ill	4.3	**Donald E Nordlund**
179,688	28,528	NYSE	SB	3.65	1.60	27⅝	New York, NY	24.2	**F Ross Johnson**
3,972,000	341,304	NYSE	SD	7.02	1.80	49¾	San Francisco, Cal	37.6	**George M Keller**
3,617,718	292,362	NYSE	SN	6.54	2.00	79⅞	Chicago, Ill	54.3	**John E Swearingen**
2,591,183	245,625	NYSE	SOH	7.37	1.40	72	Cleveland, Ohio	22.5	**Alton W Whitehouse Jr**
35,656	2,087	NASDAQ	STBK	10.48	2.10	41¼	Boston, Mass	3.2	**William S Edgerly**
279,043	43,937	NYSE	STF	3.11	1.18	23⅝	Westport, Conn	13.4	**H Barclay Morley**
139,252	60,386	NYSE	STY	2.04	0.90	22¼	New York, NY	25.9	**Dr W Clarke Wescoe**
75,351	14,389	NYSE	STN	1.43	1.17	14¼	New York, NY	41.4	**Whitney Stevens**
38,666	4,046	NYSE	SHP	3.01	1.20	15¾	Boston, Mass	28.0	**Avram J Goldberg**
116,262	27,747	NYSE	STK	1.76	none	22⅞	Louisville, Colo	9.4	**Jesse I Aweida**
15,648	3,067	NASDAQ	SUMI	3.50	1.16	15½	San Francisco, Cal	1.6	**Nimei Akamatsu**
42,281	9,976	NASDAQ	SNBK	2.52	0.82	16¾	Orlando, Fla	4.8	**Richard F Livingston**
1,542,000	122,202	NYSE	SUN	5.92	1.73	48⅝	Radnor, Pa	48.8	**Theodore A Burtis**
78,164	15,077	NYSE	SMB	3.30	1.50	16¾	Chicago, Ill	28.8	**Robert P Gwinn**
134,480	17,717	NYSE	SNS	4.57	1.50	56½	Rockford, Ill	15.6	**Evans W Erikson**
89,062	18,223	NYSE	SVU	3.05	0.73	29⅝	Eden Prairie, Minn	16.6	**Jack J Crocker**
685,771	25,402	NYSE	SOC	13.22	0.72	198	Houston, Tex	5.3	**Joseph E Reid**
66,092	8,662	NYSE	SGL	3.13	0.51	18¼	Woodbridge, NJ	30.0	**Herbert Brody**
40,583	10,147	ASE	SUE	1.37	0.19	55	Dallas, Tex	0.1	**Alvin M Wiederkehr**
30,638	9,527	NYSE	SYY	2.19	0.33	26½	Houston, Tex	5.4	**John F Baugh**
15,518	11,680	NASDAQ	TNDM	1.06	none	76	Cupertino, Cal	1.1	**James G Treybig**
130,809	51,314	NYSE	TAN	2.24	none	49⅜	Fort Worth, Tex	22.0	**Phil R North**
117,472	18,480	NYSE	TEK	4.66	0.86	61⅛	Beaverton, Ore	22.6	**Earl Wantland**
37,805	25,959	NASDAQ	TCOMA	0.34	none	29½	Englewood, Colo	2.3	**J C Malone**
295,967	20,667	NYSE	TDY	15.00	none	144	Los Angeles, Cal	47.8	**Henry E Singleton**
50,565	17,027	NYSE	TP	1.36	none	31⅞	New York, NY	4.5	**Jack K Cooke**
1,530,946	117,436	NYSE	TGT	5.95	2.45	51⅝	Houston, Tex	106.0	**James L Ketelsen**
23,228	3,923	NASDAQ	TVBC	1.82	0.80	10⅜	Nashville, Tenn	1.9	**William F Earthman**
130,622	13,648	NYSE	TSO	7.15	0.30	21½	San Antonio, Tex	3.5	**Robert V West Jr**
3,955,874	268,571	NYSE	TX	8.31	2.45	48	White Plains, NY	66.7	**John K McKinley**

All share data adjusted for stock splits and stock dividends through May 11, 1981

Where they rank: 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
217	■	■	■	**Texas American Bancshares (Dec)**	3,370,974	336,415	203,949	28,855
51	487	283	301	**Texas Commerce Bancshares (Dec)**	11,286,924	1,028,646	946,920	101,493
227	122	109	124	**Texas Eastern (Dec)**	3,314,873	4,272,854	1,999,953	219,757
■	269	312	315	**Texas Gas Transmission (Dec)**	1,525,871	2,230,127	840,267	95,089
334	131	69	128	**Texas Instruments (Dec)**	2,413,700	4,074,700	2,807,921	212,200
■	443	55	212	**Texas Oil & Gas (Aug)**	1,533,710	1,186,475	3,419,285	141,116
96	275	137	77	**Texas Utilities (Dec)**	6,552,972	2,174,553	1,789,658	297,844
410	467	113	82	**Texasgulf (Dec)**	2,010,383	1,090,135	1,972,370	286,501
378	164	265	347	**Textron (Dec)**	2,187,400	3,376,700	1,012,225	86,100
445	■	■	■	**Third National (Dec)**	1,884,839	203,964	53,086	13,111
■	■	318	■	**Tidewater (Mar)**	406,633	257,710	822,099	33,064
289	364	■	■	**Tiger International (Dec)**	2,758,425	1,527,968	392,228	42,375
344	205	172	211	**Time Inc (Dec)**	2,370,630	2,881,783	1,457,910	141,203
474	306	177	217	**Times Mirror (Dec)**	1,734,788	1,857,349	1,415,192	139,217
■	401	391	324	**Timken (Dec)**	1,028,443	1,338,499	678,689	92,632
479	■	■	425	**Toledo Edison (Dec)**	1,701,443	401,868	319,850	67,178
■	■	124	■	**Tom Brown (Mar)**	133,228	74,287	1,912,146	4,956
■	243	387	■	**Tosco (Dec)**	872,421	2,387,241	685,282	46,096
239	96	■	■	**Trans World (Dec)**	3,184,975	5,018,281	297,573	20,462
67	118	211	107	**Transamerica (Dec)**	8,887,023	4,384,055	1,222,950	239,302
252	226	186	254	**Transco Companies (Dec)**	3,049,250	2,627,787	1,356,011	120,256
418	■	■	■	**TRANSOHIO Financial (Dec)**	1,969,073	180,625	32,769	2,815
25	43	148	59	**Travelers (Dec)**	21,637,986	8,790,092	1,645,734	365,600
246	■	■	■	**Trust Company of Georgia (Dec)**	3,111,837	337,864	225,227	35,167
276	99	119	129	**TRW (Dec)**	2,854,699	4,983,970	1,940,606	211,890
■	■	■	458	**Tucson Electric Power (Dec)**	1,112,936	320,131	303,394	58,370
■	315	■	■	**Turner Construction (Dec)**	316,576	1,789,107	46,223	7,026
■	■	455	484	**Twentieth Century-Fox (Dec)**	753,913	847,258	553,508	54,567
■	■	458	■	**Tymshare (Dec)**	188,965	235,854	549,171	18,743
■	■	■	449	**U S Air (Dec)**	714,771	971,825	210,823	60,386
178	95	472	■	**UAL (Dec)**	4,041,458	5,041,335	516,600	21,008
485	354	210	179	**Union Camp (Dec)**	1,652,060	1,574,825	1,224,062	165,132
63	36	56	25	**Union Carbide (Dec)**	9,659,000	9,994,058	3,385,192	672,664
490	■	■	■	**Union Commerce (Dec)**	1,624,733	169,240	29,450	5,345
202	474	374	193	**Union Electric (Dec)**	3,552,104	1,077,876	719,109	154,737
90	37	18	27	**Union Oil Company of California (Dec)**	6,772,100	9,984,100	7,742,438	647,000
104	106	19	51	**Union Pacific (Dec)**	6,195,147	4,831,676	7,558,819	404,546
■	256	■	■	**Uniroyal (Dec)**	1,528,672	2,299,463	156,081	–7,842
359	■	■	■	**United Bank Corp of New York (Dec)**	2,274,346	191,553	123,387	27,294
293	■	■	■	**United Banks of Colorado (Dec)**	2,739,878	286,820	155,412	23,678
■	145	■	■	**United Brands (June)**	1,264,015	3,762,580	175,893	31,056
423	129	191	178	**United Energy Resources (Dec)**	1,944,599	4,135,342	1,331,500	165,454
311	■	■	■	**United Jersey Banks (Dec)**	2,628,170	236,592	58,674	14,896
420	■	■	■	**United Missouri Bancshares (Dec)**	1,952,929	165,821	104,742	18,812
148	■	■	463	**U S Bancorp (Dec)**	4,879,030	526,998	391,545	57,537
171	264	222	113	**U S Fidelity & Guaranty (Dec)**	4,247,339	2,252,945	1,189,127	228,504
■	371	464	316	**United States Gypsum (Dec)**	1,114,184	1,474,371	534,237	94,423
■	473	■	■	**U S Home (Dec)**	723,258	1,080,862	432,810	44,302
■	455	■	■	**U S Industries (Dec)**	824,177	1,144,664	193,091	21,126
47	26	96	46	**United States Steel (Dec)**	11,747,600	12,492,100	2,181,960	458,900

■ Not on 500 list

A SUMMARY OF THE 500's RANKINGS

	Share data: 1980									
Cash flow ($000)	Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec 31)	Corporate headquarters	Number of employees (000)	Chief executive
45,537	6,324	NASDAQ	TABS	4.56	1.14	32¼	Fort Worth, Tex	2.3	**Lewis H Bond**
148,488	29,136	NYSE	TCB	3.48	0.80	32½	Houston, Tex	6.1	**Ben F Love**
425,502	25,236	NYSE	TET	8.72	2.95	79¾	Houston, Tex	5.5	**I David Bufkin**
197,893	20,557	NYSE	TXG	4.51	1.55	40⅞	Owensboro, Ky	11.5	**Dennis R Hendrix**
469,500	23,254	NYSE	TXN	9.22	2.00	120¾	Dallas, Tex	87.8	**Mark Shepherd Jr**
324,432	95,144	NYSE	TXO	1.48	0.15	35⅞	Dallas, Tex	2.4	**William L Hutchison**
548,720	96,089	NYSE	TXU	3.18	1.73	18⅝	Dallas, Tex	14.4	**T Louis Austin Jr**
360,260	33,430	NYSE	TG	8.49	1.50	59	Stamford, Conn	6.5	**Richard D Mollison**
154,000	33,882	NYSE	TXT	2.30	1.80	29⅞	Providence, RI	61.0	**Robert P Straetz**
25,671	2,863	NASDAQ	TDAT	4.58	0.96	18⅞	Nashville, Tenn	2.1	**Charles J Kane**
71,071	16,199	NYSE	TDW	2.01	0.66	50¾	New Orleans, La	3.3	**John P Laborde**
171,606	16,870	NYSE	TGR	2.68	0.80	23¼	Los Angeles, Cal	11.3	**Wayne M Hoffman**
236,806	23,280	NYSE	TL	5.02	1.77	62⅞	New York, NY	26.0	**J Richard Munro**
233,334	34,101	NYSE	TMC	4.08	1.44	41½	Los Angeles, Cal	25.6	**Robert F Erburu**
164,525	11,218	NYSE	TKR	8.26	3.25	60½	Canton, Ohio	22.2	**William R Timken Jr**
83,674	20,148	NYSE	TED	2.56	2.20	15⅞	Toledo, Ohio	2.3	**John P Williamson**
20,000	38,727	NASDAQ	TMBR	0.14	none	49⅝	Midland, Tex	0.8	**Thomas C Brown**
86,110	21,669	NYSE	TOS	2.15	none	31⅛	Los Angeles, Cal	2.6	**Morton M Winston**
280,616	16,085	NYSE	TW	–0.05	none	18½	New York, NY	96.4	**L Edwin Smart**
539,792	65,224	NYSE	TA	3.66	1.16	18¾	San Francisco, Cal	29.0	**James R Harvey**
448,949	23,430	NYSE	E	4.72	1.39	57⅞	Houston, Tex	2.5	**William J Bowen**
4,520	3,745	NYSE	TFC	0.75	0.40	8¾	Cleveland, Ohio	0.7	**Warner B Bishop**
1,823,511	42,334	NYSE	TIC	8.63	2.48	38⅞	Hartford, Conn	29.3	**Edward H Budd**
58,652	10,066	NASDAQ	TRGA	3.49	0.87	22⅜	Atlanta, Ga	4.1	**Robert Strickland**
408,570	32,010	NYSE	TRW	6.39	2.15	60⅝	Cleveland, Ohio	96.0	**Ruben F Mettler**
101,316	21,671	NYSE	TEP	2.37	1.52	14	Tucson, Ariz	1.1	**Theodore M Welp**
9,320	2,043	ASE	TUR	3.34	1.15	22⅝	New York, NY	2.1	**Walter B Shaw**
78,364	10,543	NYSE	TF	4.89	1.80	52½	Los Angeles, Cal	7.0	**Dennis C Stanfill**
37,493	11,294	NYSE	TYM	1.81	none	48⅝	Cupertino, Cal	5.2	**Thomas J O'Rourke**
110,630	12,047	NYSE	U	4.71	0.09	17½	Washington, DC	10.0	**Edwin I Colodny**
300,728	29,520	NYSE	UAL	0.70	0.25	17½	Elk Grove Township, Ill	70.9	**Richard J Ferris**
278,813	24,299	NYSE	UCC	6.80	2.60	50⅝	Wayne, NJ	16.3	**Peter J McLaughlin**
1,211,000	67,367	NYSE	UK	10.08	3.10	50¼	New York, NY	116.1	**William S Sneath**
13,945	3,800	NYSE	UCM	1.18	0.20	7¾	Cleveland, Ohio	1.4	**Lyman H Treadway III**
210,295	66,125	NYSE	UEP	2.10	1.48	10⅞	St Louis, Mo	6.8	**Charles J Dougherty**
1,415,300	173,500	NYSE	UCL	3.73	0.73	44⅝	Los Angeles, Cal	18.0	**Fred L Hartley**
822,942	95,985	NYSE	UNP	4.22	1.40	78¾	New York, NY	32.7	**James H Evans**
76,072	26,567	NYSE	R	–0.30	none	5⅞	Middlebury, Conn	33.9	**Joseph P Flannery**
33,266	6,587	NASDAQ	UBNY	4.00	1.75	20¼	Albany, NY	2.3	**Peter D Kiernan**
40,557	4,317	NASDAQ	UBKS	5.12	1.66	36	Denver, Colo	3.0	**N Berne Hart**
78,689	10,580	NYSE	UB	2.54	0.35	16⅝	New York, NY	51.2	**Seymour Milstein**
278,595	27,812	NYSE	UER	6.38	1.45	47⅞	Houston, Tex	3.4	**J Hugh Roff Jr**
24,182	5,588	NYSE	UJB	2.69	1.08	10½	Princeton, NJ	2.7	**Edward A Jesser Jr**
25,584	4,232	NASDAQ	UMSB	4.43	0.89	24¾	Kansas City, Mo	1.9	**R Crosby Kemper**
82,104	14,303	NASDAQ	USBC	4.03	0.98	27⅜	Portland, Ore	5.6	**John A Elorriaga**
959,402	28,062	NYSE	FG	8.18	2.70	42⅜	Baltimore, Md	8.7	**Jack Moseley**
146,762	16,189	NYSE	USG	5.78	2.40	33	Chicago, Ill	18.8	**Graham J Morgan**
67,925	14,427	NYSE	UH	3.32	0.56	30	Houston, Tex	3.2	**Guy R Odom**
44,996	23,765	NYSE	USI	0.74	0.76	8⅛	New York, NY	21.4	**Gordon A Walker**
997,000	88,160	NYSE	X	5.25	1.60	24¾	Pittsburgh, Pa	149.2	**David M Roderick**

All share data adjusted for stock splits and stock dividends through May 11, 1981

THE DIMENSIONS OF AMERICAN BUSINESS

Where they rank: 1980								
Assets	Sales	Market value	Net profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market value of common ($000)	Net profits ($000)
393	■	■	■	**United States Trust (Dec)**	2,074,141	167,565	63,729	10,141
82	28	72	54	**United Technologies (Dec)**	7,326,270	12,323,994	2,663,565	393,383
174	302	208	166	**United Telecommunications (Dec)**	4,205,962	1,911,660	1,226,147	177,336
209	■	■	■	**United Virginia Bankshares (Dec)**	3,454,169	367,327	144,829	31,446
483	320	108	172	**Upjohn (Dec)**	1,669,621	1,767,636	2,022,773	170,375
198	■	461	345	**USLIFE (Dec)**	3,581,587	788,549	542,149	86,335
391	■	406	284	**Utah Power & Light (Dec)**	2,097,385	609,241	642,307	106,566
■	336	308	438	**Valero Energy (Dec)**	797,210	1,702,047	859,604	64,200
118	■	■	495	**Valley National Bank of Arizona (Dec)**	5,733,280	604,193	361,879	53,211
97	280	260	105	**Virginia Electric & Power (Dec)**	6,491,464	2,119,774	1,037,023	241,620
300	■	■	■	**Virginia National Bankshares (Dec)**	2,704,118	287,533	95,648	20,426
■	■	■	410	**Vulcan Materials (Dec)**	592,699	753,980	477,328	69,859
122	■	■	■	**Wachovia (Dec)**	5,653,613	551,748	255,164	48,287
■	334	273	475	**Wal-Mart Stores (Jan)**	592,345	1,704,761	978,285	55,682
■	420	■	■	**Waldbaum (Dec)**	220,008	1,271,624	35,476	10,828
■	362	■	■	**Walgreen (Aug)**	448,633	1,530,722	276,546	34,813
■	■	91	■	**Wang Laboratories (June)**	578,453	543,272	2,302,642	52,113
466	288	100	221	**Warner Communications (Dec)**	1,768,775	2,059,414	2,146,133	137,091
261	158	154	145	**Warner-Lambert (Dec)**	2,953,895	3,479,207	1,603,178	192,716
253	■	■	■	**Washington National (Dec)**	3,043,322	874,804	259,233	37,366
■	■	217	481	**Waste Management (Dec)**	574,933	560,149	1,201,761	54,855
23	235	403	251	**Wells Fargo (Dec)**	23,638,063	2,545,452	652,023	121,864
■	429	■	■	**West Point-Pepperell (Aug)**	580,665	1,245,569	205,360	42,505
15	169	187	117	**Western Bancorporation (Dec)**	32,110,327	3,296,180	1,354,752	225,064
■	■	202	■	**Western Company of North America (Dec)**	721,826	457,512	1,259,611	52,270
436	■	■	■	**Western Financial (Dec)**	1,904,272	171,741	39,078	3,034
462	■	■	■	**Western Union (Dec)**	1,781,525	794,203	381,647	37,805
89	45	81	52	**Westinghouse Electric (Dec)**	6,812,600	8,514,300	2,514,363	402,900
■	385	433	339	**Westvaco (Oct)**	1,150,611	1,409,911	598,122	87,858
■	430	■	■	**Wetterau (Mar)**	246,623	1,239,150	114,006	13,828
137	116	43	68	**Weyerhaeuser (Dec)**	5,238,692	4,535,814	4,283,643	321,487
427	412	294	478	**Wheelabrator-Frye (Dec)**	1,930,636	1,299,673	890,468	55,300
■	469	■	■	**Wheeling-Pittsburgh Steel (Dec)**	983,372	1,084,052	81,753	14,675
■	265	379	299	**Whirlpool (Dec)**	1,074,521	2,243,181	697,582	101,699
■	290	■	466	**White Consolidated Industries (Dec)**	1,160,096	2,057,336	323,895	57,009
471	■	■	■	**Whitney Holding (Dec)**	1,744,375	170,470	211,761	25,321
■	390	■	464	**Whittaker (Oct)**	784,533	1,396,225	444,034	57,504
498	206	■	■	**[24]Wickes Companies (Jan)**	1,600,000E	2,876,973	186,894	8,276
■	■	465	457	**Willamette Industries (Dec)**	802,879	940,200	532,872	58,858
340	286	179	218	**Williams Companies (Dec)**	2,380,001	2,072,686	1,404,506	138,696
■	81	380	326	**Winn-Dixie Stores (June)**	903,709	5,388,979	694,934	91,950
406	494	■	360	**Wisconsin Electric Power (Dec)**	2,030,241	1,007,145	446,513	82,488
■	447	■	■	**Witco Chemical (Dec)**	630,984	1,175,695	265,648	40,954
241	59	365	185	**F W Woolworth (Jan)**	3,171,894	7,218,176	741,312	160,915
79	50	33	30	**Xerox (Dec)**	7,349,200	8,196,500	5,058,420	619,200
■	484	■	490	**Zale (Mar)**	718,002	1,041,699	311,334	54,025
■	■	351	■	**Zapata (Sept)**	991,652	636,966	758,928	43,627
■	351	■	■	**Zayre (Jan)**	560,737	1,594,235	110,458	18,015
■	444	■	■	**Zenith Radio (Dec)**	655,354	1,185,918	367,809	26,360
486	■	■	■	**Zions Utah Bancorporation (Dec)**	1,651,536	183,720	104,906	17,039

■ Not on 500 list
E: Estimate

[24] Formerly Wickes

A SUMMARY OF THE 500's RANKINGS

Cash flow ($000)	Share data: 1980 Shares outstanding (000)	Where traded	Ticker symbol	Earnings before extraordinary items	Dividends	Market price (Dec. 31)	Corporate headquarters	Number of employees (000)	Chief executive
15,164	2,999	NASDAQ	USTC	3.38	1.90	21¼	New York, NY	1.5	**Daniel P Davison**
639,975	43,665	NYSE	UTX	7.28	2.20	61	Hartford, Conn	199.0	**Harry J Gray**
543,930	71,081	NYSE	UT	2.47	1.56	17¼	Westwood, Kan	29.5	**Paul H Henson**
45,608	5,389	NASDAQ	UVBK	5.83	1.60	26⅞	Richmond, Va	4.5	**Joseph A Jennings**
227,062	29,967	NYSE	UPJ	5.71	1.86	67½	Kalamazoo, Mich	21.5	**Ray T Parfet Jr**
283,578	22,242	NYSE	USH	3.57	0.71	24⅜	New York, NY	4.4	**Gordon E Crosby Jr**
201,544	39,833	NYSE	UTP	2.35	1.88	16⅛	Salt Lake City, Utah	4.0	**Harry Blundell**
91,454	22,112	NYSE	VLO	2.44	0.15	38⅞	San Antonio, Tex	1.4	**William E Greehey**
83,058	10,158	NASDAQ	VNBK	5.26	1.45	35⅝	Phoenix, Ariz	6.8	**Gilbert F Bradley**
391,803	99,954	NYSE	VEL	1.93	1.40	10⅜	Richmond, Va	10.1	**T Justin Moore Jr**
40,044	7,085	NASDAQ	VNAT	2.93	1.08	13½	Norfolk, Va	4.3	**Clifford A Cutchins III**
124,609	11,433	NYSE	VMC	6.04	2.00	41¾	Birmingham, Ala	6.0	**W Houston Blount**
62,670	14,078	NYSE	WB	3.08	0.91	18⅛	Winston-Salem, NC	5.9	**John G Medlin Jr**
74,274	32,340	NYSE	WMT	1.73	0.19	30¼	Bentonville, Ark	27.0	**Sam M Walton**
24,824	2,534	NASDAQ	WALD	4.27	none	14	Central Islip, NY	6.0	**Ira Waldbaum**
49,060	7,183	NYSE	WAG	5.12	1.62	38½	Deerfield, Ill	28.0	**Charles R Walgreen III**
98,139	56,162	ASE	WAN B	1.00	0.09	41	Lowell, Mass	11.7	**An Wang**
188,138	55,206	NYSE	WCI	2.38	0.47	38⅞	New York, NY	9.4	**Steven J Ross**
291,960	79,661	NYSE	WLA	2.41	1.32	20⅛	Morris Plains, NJ	56.0	**Ward S Hagan**
432,857	10,233	NYSE	WNT	3.40	0.99	25⅜	Evanston, Ill	6.4	**Stanley P Hutchison**
107,262	13,134	NYSE	WMX	4.31	0.80	91½	Oak Brook, Ill	9.2	**Dean L Buntrock**
242,746	22,878	NYSE	WFC	5.33	1.87	28½	San Francisco, Cal	17.5	**Richard P Cooley**
71,757	4,832	NYSE	WPM	9.32	3.00	42½	West Point, Ga	23.4	**Joseph L Lanier Jr**
390,595	37,632	NYSE	WBC	5.70	1.79	36	Los Angeles, Cal	30.1	**Joseph J Pinola**
104,885	22,147	NYSE	WSN	2.48	0.19	56⅞	Fort Worth, Tex	4.6	**H E Chiles**
771	2,171	ASE	WFN	1.35	0.52	18	Phoenix, Ariz	0.8	**Gary H Driggs**
182,745	15,738	NYSE	WU	1.80	1.40	24¼	Upper Saddle River, NJ	12.6	**Robert M Flanagan**
540,800	84,873	NYSE	WX	4.71	1.40	29⅝	Pittsburgh, Pa	145.5	**Robert E Kirby**
170,920	16,968	NYSE	W	5.20	1.54	35¼	New York, NY	15.7	**David L Luke III**
23,160	7,415	NASDAQ	WETT	1.83	0.70	15¾	Hazelwood, Mo	3.4	**Ted C Wetterau**
850,418	125,528	NYSE	WY	2.47	1.30	34⅛	Tacoma, Wash	45.7	**George H Weyerhaeuser**
69,232	16,921	NYSE	WFI	4.31	1.40	52⅝	Hampton, NH	25.0	**Michael D Dingman**
53,199	3,893	NYSE	WHX	2.85	none	21	Pittsburgh, Pa	12.1	**Dennis J Carney**
137,499	36,238	NYSE	WHR	2.81	1.40	19¼	Benton Harbor, Mich	23.1	**John H Platts**
93,740	13,288	NYSE	WSW	3.94	1.40	24⅜	Cleveland, Ohio	30.5	**Roy H Holdt**
34,139	2,139	OTC	–	11.84	4.63	99	New Orleans, La	0.8	**Patrick A Delaney**
77,411	15,052	NYSE	WKR	3.90	1.00	29½	Los Angeles, Cal	16.0	**Joseph F Alibrandi**
NA	13,844	NYSE	WIX	0.50	1.04	13½	San Diego, Cal	43.2	**Emil L McNeely**
104,990	14,802	NASDAQ	WMTT	2.98	1.36	36	Portland, Ore	8.5	**Gene D Knudson**
287,188	29,725	NYSE	WMB	5.07	1.10	47¼	Tulsa, Okla	7.6	**Joseph H Williams**
174,682	25,858	NYSE	WIN	3.42	1.80	26⅞	Jacksonville, Fla	60.7	**Bert L Thomas**
201,418	20,068	NYSE	WPC	3.53	2.49	22¼	Milwaukee, Wisc	6.1	**Charles S McNeer**
76,426	9,005	NYSE	WIT	4.50	1.50	29½	New York, NY	6.6	**William Wishnick**
225,000	29,952	NYSE	Z	5.30	1.75	24¼	New York, NY	196.5	**Edward F Gibbons**
1,814,700	84,483	NYSE	XRX	7.33	2.70	59⅞	Stamford, Conn	118.1	**C Peter McColough**
64,402	11,270	NYSE	ZAL	4.50	1.10	27⅝	Dallas, Tex	19.0	**Donald Zale**
91,229	20,864	NYSE	ZOS	2.19	0.24	36⅜	Houston, Tex	7.5	**B John Mackin**
43,180	5,198	NYSE	ZY	3.42	0.24	21¼	Framingham, Mass	28.5	**Maurice Segall**
49,228	18,862	NYSE	ZE	1.40	0.60	19½	Glenview, Ill	25.2	**Revone W Kluckman**
23,814	3,357	NASDAQ	ZION	4.74	1.04	31¼	Salt Lake City, Utah	1.6	**Roy W Simmons**

All share data adjusted for stock splits and stock dividends through May 11, 1981. NA: Not available.

General Notes: 1) Sales figures exclude excise taxes. 2) Market Value is derived by multiplying the Dec. 31, 1980 closing price of the common stock by the number of shares outstanding at that date. 3) Cash Flow is total funds provided from operations (including discontinued operations) before extraordinary items. 4) 1980 figures were used for those February fiscal year companies for which 1981 results were not available at press time.

If you're wondering whether the auto industry is really that sick—or the oil industry really that healthy—take a look at what happened to some of the nation's largest employers in 1980.

Jobs: The squeeze comes home

The 818 largest U.S. employers listed below—every company that made at least one of the four Forbes 500 lists—employed a total of 22.6 million men and women in the U.S. and abroad last year.

Jobs are where the squeeze comes home. If you want to see what happened to the auto industry, look at the big three. Together, General Motors, Ford and Chrysler had 190,000 fewer employees in 1980 than in 1979.

In profit per employee, the top five were all small oil companies: Pogo Producing, with a profit of $329,500 for each of its 164 employees, and Mesa Petroleum, with a profit of $146,300 for each of its 651 employees. Then came Supron Energy ($142,500), Southland Royalty ($119,800) and Felmont Oil ($117,100). Exxon's $32,000 was moderate in comparison.

Take a look, too, at a tale of four retailers. Two, F.W. Woolworth and J.C. Penney, are strikingly similar in work force—196,500 for Woolworth, 194,000 for Penney. But Penney got half again the sales and profits per employee in 1980.

Now consider Federated Department Stores and R.H. Macy. Macy is only a little over a third the size of Federated, but productivity of the two track closely: $54,000 in per-employee sales for Federated, $52,700 for Macy; $2,400 to $2,300 in profits. Net margins track, too—4.4% to 4.3%. Moral: Good management and productivity are not a function of size.

		Employees	Per employee ($000)		
Rank	Company	(000)	Sales (rank)	Profits (rank)	Assets (rank)
1	**American Tel & Tel**	1,044.0	48.6 (762)	5.8 (433)	120.2 (407)
2	**General Motors**	746.4	77.3 (559)	−1.0 (803)	46.2 (652)
3	**Ford Motor**	426.7	86.9 (495)	−3.6 (809)	57.0 (581)
4	**General Electric**	402.0	62.1 (670)	3.8 (561)	46.0 (653)
5	**Sears Roebuck**	390.0	64.4 (650)	1.5 (731)	72.2 (515)
6	**Intl Tel & Tel**	358.0	66.5 (636)	2.5 (658)	79.3 (484)
7	**IBM**	341.3	76.8 (561)	10.4 (238)	78.2 (487)
8	**K mart**	256.0	55.5 (718)	1.0 (767)	23.8 (782)
9	**Mobil**	212.8	279.7 (90)	13.2 (187)	153.7 (380)
10	**General Tel & Elec**	201.0	49.6 (757)	2.4 (665)	98.1 (437)
11	**United Technologies**	199.0	61.9 (675)	2.0 (694)	36.8 (712)
12	**F W Woolworth**	196.5	36.7 (804)	0.8 (775)	16.1 (812)
13	**J C Penney**	194.0	58.5 (700)	1.2 (754)	30.2 (758)
14	**Exxon**	176.6	584.0 (25)	32.0 (50)	320.3 (310)
15	**Safeway Stores**	149.4	101.1 (391)	0.8 (775)	22.3 (790)
16	**United States Steel**	149.2	83.7 (514)	3.1 (615)	78.8 (485)
17	**Westinghouse Elec**	145.5	58.5 (700)	2.8 (642)	46.8 (646)
18	**Goodyear**	144.5	58.5 (700)	1.4 (741)	37.2 (708)
19	**E I du Pont**	135.9	100.5 (395)	5.3 (472)	70.4 (524)
20	**RCA**	133.0	60.2 (690)	2.4 (665)	53.7 (598)
21	**Eastman Kodak**	129.5	75.2 (573)	8.9 (278)	67.5 (535)
22	**ARA Services**	120.0	23.4 (816)	0.5 (784)	9.1 (818)
23	**Xerox**	118.1	69.4 (611)	5.2 (473)	62.2 (557)
24	**McDonald's**	117.0	18.7 (817)	1.9 (699)	22.6 (786)
25	**Federated Dept Stores**	116.6	54.0 (729)	2.4 (665)	30.7 (756)
26	**Union Carbide**	116.1	86.1 (502)	5.8 (433)	83.2 (472)
27	**Gulf & Western Inds**	116.0	46.0 (781)	2.2 (682)	46.7 (647)
28	**Kroger**	115.0	89.7 (474)	0.8 (775)	17.4 (809)
29	**Halliburton**	113.6	73.3 (587)	4.4 (531)	41.6 (684)
30	**PepsiCo**	111.0	53.8 (732)	2.6 (651)	30.8 (755)
31	**Rockwell Intl**	108.2	63.8 (656)	2.6 (651)	41.0 (688)
32	**Boeing**	106.3	88.7 (487)	5.6 (448)	55.8 (589)
33	**Tenneco**	106.0	124.8 (292)	6.8 (384)	130.7 (397)
34	**Firestone**	96.8	50.1 (754)	−1.3 (805)	32.2 (745)
35	**Trans World**	96.4	52.1 (744)	0.2 (794)	33.1 (739)
36	**TRW**	96.0	51.9 (747)	2.2 (682)	29.7 (763)
37	**Honeywell**	95.9	51.3 (749)	2.9 (633)	40.6 (691)
38	**Chrysler**	92.6	99.6 (398)	−18.5 (815)	71.5 (517)
39	**W R Grace**	91.7	66.5 (636)	3.1 (615)	47.6 (639)
40	**Bethlehem Steel**	89.2	75.6 (569)	1.4 (741)	58.4 (574)
41	**Sperry**	89.1	53.7 (734)	3.1 (615)	47.8 (638)
42	**Consolidated Foods**	88.6	60.3 (688)	1.4 (741)	25.5 (777)
43	**Beatrice Foods**	88.0	94.2 (438)	3.3 (600)	45.2 (658)
44	**Texas Instruments**	87.8	46.4 (778)	2.4 (665)	27.5 (772)
45	**Intl Harvester**	87.2	72.4 (591)	−4.6 (811)	67.0 (537)
46	**Minn Mining & Mfg**	86.9	70.0 (607)	7.8 (329)	58.1 (577)
47	**Caterpillar Tractor**	86.4	99.6 (398)	6.5 (395)	70.6 (522)
48	**General Dynamics**	84.4	56.2 (714)	2.3 (674)	28.9 (769)
49	**Schlumberger**	83.1	58.8 (698)	12.0 (205)	63.1 (553)
50	**McDonnell Douglas**	82.6	73.4 (586)	1.8 (705)	47.2 (643)

RANKING THE FORBES 500's—JOBS AND PRODUCTIVITY

		Employees	Per employee ($000)		
Rank	Company	(000)	Sales (rank)	Profits (rank)	Assets (rank)
51	BankAmerica	82.3	146.6 (231)	7.8 (329)	1355.6 (65)
52	R J Reynolds Inds	81.5	103.7 (372)	8.2 (308)	90.3 (458)
53	Dart & Kraft	80.0	117.7 (313)	4.8 (498)	58.2 (576)
54	Bendix	78.5	49.2 (758)	2.4 (665)	37.2 (708)
55	Raytheon	77.9	64.3 (652)	3.6 (580)	37.6 (705)
56	Household Finance	77.5	79.8 (540)	1.8 (705)	88.3 (461)
57	Litton Industries	75.4	56.3 (713)	3.9 (551)	43.3 (672)
58	Johnson & Johnson	74.3	65.1 (645)	5.4 (462)	45.0 (660)
59	Motorola	73.9	41.9 (797)	2.5 (658)	28.6 (770)
60	Philip Morris	72.0	101.8 (385)	8.0 (319)	102.3 (430)
61	Singer	71.0	39.2 (800)	0.5 (784)	21.5 (794)
62	UAL	70.9	71.1 (599)	0.3 (792)	57.0 (581)
63	Lockheed	70.6	76.5 (562)	0.4 (788)	34.6 (728)
64	CSX	70.0	69.2 (613)	4.0 (544)	107.5 (426)
65	Ralston Purina	69.8	70.0 (607)	2.3 (674)	32.2 (745)
66	NCR	68.0	48.9 (759)	3.7 (571)	49.5 (627)
67	City Investing	67.3	80.0 (537)	1.6 (724)	114.2 (417)
68	Texaco	66.7	767.0 (19)	33.6 (42)	396.0 (275)
69	Marriott	66.5	25.8 (814)	1.1 (760)	18.3 (806)
70	May Dept Stores	66.0	48.1 (767)	1.8 (705)	34.2 (731)
70	Burlington Inds	66.0	43.9 (790)	1.2 (754)	32.1 (747)
72	General Mills	65.1	64.0 (653)	2.6 (651)	30.9 (754)
73	Lucky Stores	65.0	99.5 (400)	1.4 (741)	21.5 (794)
74	LTV	63.6	125.9 (286)	2.0 (694)	63.4 (552)
75	Great Atl & Pac Tea	63.0	106.1 (357)	–0.1 (798)	19.5 (803)
76	Monsanto	62.9	104.5 (367)	2.4 (665)	92.2 (452)
77	American Stores	62.0	103.5 (373)	0.8 (775)	20.9 (800)
78	Owens-Illinois	61.4	63.7 (659)	2.4 (665)	50.0 (623)
79	IC Industries	61.3	67.5 (628)	2.0 (694)	60.2 (565)
80	Deere	61.0	89.6 (477)	3.7 (571)	85.2 (467)
81	Textron	61.0	55.4 (720)	1.4 (741)	35.9 (719)
82	Winn-Dixie Stores	60.7	88.8 (486)	1.5 (731)	14.9 (814)
82	Procter & Gamble	60.7	177.5 (182)	10.6 (233)	108.0 (424)
84	Pillsbury	59.5	51.0 (750)	1.8 (705)	33.3 (737)
85	Armco	58.8	96.5 (423)	4.5 (523)	64.7 (546)
86	Continental Group	58.3	97.0 (419)	3.8 (561)	91.3 (454)
87	Gulf Oil	58.3	454.6 (39)	24.2 (83)	320.0 (311)
88	McDermott	58.0	56.6 (712)	1.5 (731)	61.2 (563)
89	Burroughs	57.3	49.9 (755)	1.4 (741)	67.3 (536)
90	Control Data	57.1	66.7 (634)	2.5 (658)	115.1 (415)
91	Dow Chemical	56.8	186.9 (168)	14.2 (174)	203.0 (356)
92	Burlington Northern	56.7	69.7 (610)	3.9 (551)	92.9 (449)
93	Interco	56.4	42.0 (795)	2.2 (682)	26.1 (774)
94	Warner-Lambert	56.0	62.1 (670)	3.4 (592)	52.7 (604)
95	Borg-Warner	55.2	48.4 (764)	2.3 (674)	34.4 (730)
96	Carter Hawley Hale	55.0	47.9 (769)	1.1 (760)	30.0 (759)
97	Hewlett-Packard	54.7	56.7 (711)	4.9 (491)	42.8 (678)
98	Southern Pacific	54.3	52.7 (742)	2.9 (633)	98.2 (435)
99	Standard Oil Ind	54.3	481.3 (35)	35.3 (39)	371.4 (287)
100	Eaton	54.1	58.8 (698)	2.1 (690)	42.6 (679)
101	Allied Stores	54.0	42.6 (794)	1.6 (724)	30.0 (759)
102	Emerson Electric	53.8	57.0 (710)	4.4 (531)	35.9 (719)
103	Citicorp	53.7	264.6 (97)	9.3 (268)	2140.0 (30)
104	Atlantic Richfield	53.4	444.6 (43)	30.9 (52)	311.0 (315)
105	General Foods	53.0	112.4 (333)	4.8 (498)	56.2 (586)
105	Kidde	53.0	47.9 (769)	1.6 (724)	30.0 (759)
107	Dresser Industries	52.8	76.1 (567)	4.9 (491)	54.9 (596)
108	American Brands	52.5	81.5 (530)	7.7 (333)	75.7 (500)
109	Greyhound	52.3	91.2 (466)	2.3 (674)	36.4 (714)
110	Signal Companies	51.7	83.9 (513)	3.2 (608)	60.0 (566)
111	United Brands	51.2	73.5 (584)	0.6 (781)	24.7 (781)
112	American Can	51.0	94.4 (436)	1.7 (717)	55.3 (593)
113	Digital Equipment	50.0	47.4 (772)	5.0 (486)	53.3 (601)
114	American Home Prod	49.8	76.2 (566)	8.9 (278)	47.6 (639)
115	Associated Dry Goods	49.8	39.2 (800)	1.0 (767)	20.5 (801)
116	Melville	49.7	46.9 (775)	2.3 (674)	17.9 (808)
117	American Standard	49.1	54.5 (725)	3.2 (608)	32.1 (747)
118	Sun Company	48.8	265.2 (96)	14.8 (169)	224.5 (353)
119	Pan Am World Airways	48.6	82.7 (521)	1.7 (717)	69.3 (526)
120	Colgate-Palmolive	48.2	106.4 (356)	3.6 (580)	53.5 (600)
121	Levi Strauss	48.0	59.2 (696)	4.7 (508)	30.3 (757)
122	Teledyne	47.8	82.0 (525)	7.1 (360)	107.6 (425)
123	Ingersoll-Rand	47.4	62.7 (667)	3.4 (592)	53.3 (601)
124	Allied Corp	46.9	117.7 (313)	6.2 (408)	96.8 (441)
125	Combustion Engnrng	46.3	68.0 (621)	2.5 (658)	51.7 (612)
126	International Paper	46.0	109.5 (345)	6.8 (384)	112.9 (419)
127	Hospital Corp of Am	46.0	26.8 (813)	1.8 (705)	35.0 (727)
128	Weyerhaeuser	45.7	99.2 (403)	7.0 (366)	114.6 (416)
129	Alcoa	45.6	112.8 (331)	10.3 (239)	113.7 (418)
130	American Airlines	45.3	84.3 (512)	–2.8 (807)	72.4 (513)
131	R H Macy	45.0	52.7 (742)	2.3 (674)	29.5 (765)
132	H J Heinz	44.6	65.5 (643)	3.2 (608)	43.8 (670)
133	FMC	44.6	78.1 (552)	3.2 (608)	58.7 (572)
134	Southland	44.6	106.7 (354)	1.7 (717)	33.5 (734)
135	American Express	44.0	125.0 (290)	8.5 (295)	447.6 (255)
136	Georgia-Pacific	44.0	114.0 (325)	5.5 (455)	102.5 (429)
136	Northwest Industries	44.0	65.4 (644)	3.5 (586)	51.6 (613)
138	Holiday Inns	44.0	34.9 (806)	2.5 (658)	38.2 (699)
139	Wickes Companies	43.2	66.6 (635)	0.2 (794)	37.0 (710)
140	North Amer Philips	43.2	61.6 (679)	1.7 (717)	35.2 (726)
141	Castle & Cooke	43.0	40.3 (798)	0.7 (779)	29.4 (766)
142	American Cyanamid	42.6	81.1 (533)	3.7 (571)	68.4 (531)
143	Santa Fe Industries	42.5	75.7 (568)	7.1 (360)	101.9 (431)
144	Champion Intl	41.9	89.7 (474)	3.9 (551)	79.8 (483)
145	J P Stevens	41.4	46.3 (779)	0.5 (784)	25.9 (776)
146	Coca-Cola	41.1	143.8 (240)	10.3 (239)	82.8 (474)
147	Pfizer	41.1	73.7 (583)	6.2 (408)	81.8 (479)
148	Conoco	41.0	446.3 (41)	25.0 (79)	269.2 (328)
149	Genl Tire & Rubber	40.8	54.3 (727)	1.0 (767)	44.3 (664)
150	Republic Steel	40.7	92.3 (459)	1.3 (748)	74.0 (506)
151	CPC International	40.5	101.7 (386)	4.9 (491)	57.5 (579)
152	Natl Semiconductor	40.3	24.3 (815)	1.3 (748)	13.9 (815)
153	B F Goodrich	40.2	76.5 (562)	1.5 (731)	55.1 (595)
154	INA	40.2	130.9 (271)	6.9 (373)	264.1 (332)
155	Dayton-Hudson	40.0	100.8 (394)	3.7 (571)	53.9 (597)
155	Eastern Air Lines	40.0	86.3 (500)	–1.1 (804)	70.4 (524)
157	Aetna Life & Cas	39.1	340.6 (71)	13.0 (191)	914.4 (133)
157	Humana	39.1	28.6 (812)	1.7 (717)	33.9 (732)
159	Jewel Companies	39.0	109.4 (347)	1.4 (741)	33.0 (740)
160	Borden	38.4	119.7 (308)	3.9 (551)	68.8 (530)

RANKING THE FORBES 500's—JOBS AND PRODUCTIVITY

		Employees	Per employee ($000)		
Rank	Company	(000)	Sales (rank)	Profits (rank)	Assets (rank)
161	Norton Simon	38.0	77.9 (556)	3.3 (600)	69.0 (529)
162	Campbell Soup	38.0	67.5 (628)	3.5 (586)	42.9 (677)
163	Standard Oil Calif	37.6	1075.9 (7)	63.8 (11)	588.5 (211)
164	PPG Industries	37.3	84.7 (510)	5.6 (448)	75.8 (499)
164	Dana	37.3	67.7 (626)	2.6 (651)	51.9 (611)
166	Nabisco	37.0	69.4 (611)	3.5 (586)	38.5 (698)
167	Revlon	36.9	59.7 (692)	5.2 (473)	61.3 (561)
168	Reynolds Metals	36.8	99.3 (401)	4.9 (491)	84.2 (469)
169	Shell Oil	36.6	541.9 (28)	42.1 (30)	481.3 (240)
170	Gould	36.5	60.4 (687)	2.0 (694)	44.1 (666)
171	CBS	35.6	111.2 (338)	5.4 (462)	64.6 (547)
172	McGraw-Edison	35.1	64.4 (650)	1.5 (731)	50.8 (617)
173	Delta Air Lines	35.0	84.4 (511)	2.7 (647)	58.3 (575)
174	Bristol-Myers	35.0	90.2 (471)	7.7 (333)	63.1 (553)
174	Kennecott	35.0	64.5 (649)	5.5 (455)	92.3 (451)
174	Blue Bell	35.0	39.9 (799)	1.9 (699)	24.8 (780)
174	IU International	35.0	64.0 (653)	5.1 (477)	39.6 (693)
178	Inland Steel	34.9	93.3 (448)	0.9 (773)	84.8 (468)
179	Occidental Petroleum	34.7	359.2 (65)	20.5 (106)	190.9 (361)
180	Martin Marietta	34.7	75.6 (569)	5.4 (462)	59.7 (567)
181	Avon Products	34.3	74.9 (576)	7.0 (366)	45.8 (655)
182	Gillette	34.1	67.9 (623)	3.6 (580)	50.1 (621)
183	Uniroyal	33.9	67.8 (624)	−0.2 (799)	45.0 (660)
184	National Steel	33.9	109.5 (345)	2.5 (658)	101.8 (432)
185	Emhart	33.5	53.8 (732)	2.0 (694)	29.1 (767)
186	Chase-Manhattan	33.5	239.2 (114)	10.6 (233)	2277.7 (26)
187	Penn Central	33.2	60.7 (685)	2.8 (642)	82.1 (478)
188	Celanese	32.8	102.1 (383)	3.7 (571)	80.3 (482)
189	Baxter Travenol Labs	32.7	42.0 (795)	3.9 (551)	43.2 (673)
190	Union Pacific	32.7	148.0 (230)	12.4 (202)	189.7 (362)
191	Phillips Petroleum	32.4	412.5 (51)	33.0 (45)	303.5 (320)
192	Boise Cascade	32.3	93.4 (447)	4.2 (539)	82.9 (473)
193	Hilton Hotels	32.0	17.3 (818)	3.3 (600)	21.8 (792)
194	Merck	31.6	86.5 (498)	13.1 (188)	90.7 (457)
195	Colt Industries	31.3	69.2 (613)	3.1 (615)	45.9 (654)
196	Kimberly-Clark	31.3	83.2 (518)	5.8 (433)	74.4 (503)
197	Crown Zellerbach	31.1	98.7 (406)	3.1 (615)	76.4 (496)
198	Amer Hospital Supply	31.1	75.4 (572)	3.9 (551)	46.9 (645)
199	Abbott Laboratories	31.0	65.7 (641)	6.9 (373)	66.5 (538)
200	Quaker Oats	31.0	77.6 (557)	3.1 (615)	43.0 (676)
201	Johns-Manville	31.0	73.1 (589)	2.6 (651)	75.4 (501)
202	Ogden	30.5	71.7 (594)	1.9 (699)	43.9 (668)
202	White Consolidated	30.5	67.5 (628)	1.9 (699)	38.0 (701)
202	Esmark	30.5	95.9 (427)	15.5 (162)	60.8 (564)
205	Western Bancorp	30.1	109.6 (344)	7.5 (339)	1067.3 (102)
206	Supermarkets General	30.0	87.6 (492)	0.9 (773)	19.1 (805)
207	St Regis Paper	29.7	91.4 (463)	5.7 (443)	89.0 (460)
208	Northrop	29.5	56.1 (715)	2.9 (633)	41.8 (683)
209	United Telecom	29.5	64.9 (647)	6.0 (421)	142.8 (388)
210	Loews	29.4	144.1 (239)	7.6 (335)	310.4 (316)
211	Travelers	29.3	299.6 (84)	12.5 (198)	737.5 (177)
212	Merrill Lynch	29.3	103.2 (375)	6.9 (373)	452.4 (252)
213	Fruehauf	29.2	71.4 (596)	1.1 (760)	52.3 (606)
214	Transamerica	29.0	151.2 (224)	8.3 (303)	306.4 (319)
215	Allis-Chalmers	28.9	71.4 (596)	1.7 (717)	53.6 (599)
216	Corning Glass Works	28.8	53.1 (739)	4.0 (544)	52.1 (607)
216	Sunbeam	28.8	48.8 (760)	1.7 (717)	31.0 (753)
218	Zayre	28.5	55.9 (716)	0.6 (781)	19.7 (802)
219	Morrison-Knudsen	28.2	61.9 (675)	1.1 (760)	23.1 (785)
220	SCM	28.0	67.6 (627)	1.9 (699)	36.0 (718)
220	Stop & Shop	28.0	73.5 (584)	0.4 (788)	16.9 (811)
220	Walgreen	28.0	54.7 (724)	1.2 (754)	16.0 (813)
220	Grumman	28.0	61.8 (678)	1.1 (760)	32.4 (742)
224	Eli Lilly	27.7	92.4 (458)	12.3 (203)	94.1 (445)
225	AMF	27.6	55.6 (717)	2.1 (690)	35.5 (725)
226	Pacific Gas & Elec	27.6	190.7 (160)	19.0 (116)	409.5 (269)
227	Schering-Plough	27.4	63.5 (660)	8.7 (287)	72.4 (513)
228	Southern Company	27.3	137.7 (255)	12.6 (196)	419.5 (266)
229	General Instrument	27.1	30.4 (810)	2.5 (658)	23.8 (782)
230	Heublein	27.1	52.8 (740)	2.9 (633)	38.7 (696)
231	Albertson's	27.0	112.6 (332)	1.5 (731)	23.2 (784)
231	Squibb	27.0	62.1 (670)	4.7 (508)	70.6 (522)
231	Wal-Mart Stores	27.0	63.1 (662)	2.1 (690)	21.9 (791)
234	Avco	26.9	80.0 (537)	4.2 (539)	217.5 (355)
235	American Elec Power	26.7	140.9 (247)	13.1 (188)	410.8 (268)
236	Pitney Bowes	26.1	48.2 (766)	2.9 (633)	42.0 (680)
237	General Signal	26.0	58.5 (700)	4.0 (544)	43.7 (671)
238	Time Inc	26.0	110.8 (339)	5.4 (462)	91.2 (455)
239	Sterling Drug	25.9	65.6 (642)	4.8 (498)	48.5 (634)
240	Kaiser Alum & Chem	25.8	124.8 (292)	9.6 (259)	123.9 (402)
241	Fluor	25.8	187.2 (167)	5.1 (477)	66.1 (541)
242	Times Mirror	25.6	72.7 (590)	5.4 (462)	67.9 (532)
243	Norton	25.3	50.7 (752)	3.4 (592)	37.7 (704)
244	Amfac	25.2	76.3 (564)	3.0 (626)	49.0 (631)
245	Zenith Radio	25.2	47.1 (773)	1.0 (767)	26.0 (775)
246	Wheelabrator-Frye	25.0	52.0 (746)	2.2 (682)	77.2 (495)
246	Mead	25.0	108.3 (353)	5.1 (477)	74.7 (502)
246	Brunswick	25.0	48.0 (768)	1.0 (767)	37.0 (710)
246	Brown Group	25.0	48.8 (760)	1.8 (705)	21.5 (794)
250	American Motors	24.9	102.5 (377)	−7.9 (812)	41.3 (686)
251	Mfrs Hanover	24.9	208.4 (140)	9.2 (273)	2230.4 (27)
252	Beneficial Corp	24.9	103.4 (374)	3.7 (571)	334.0 (300)
253	Cooper Industries	24.8	74.3 (579)	5.9 (428)	65.1 (544)
254	Dun & Bradstreet	24.7	47.6 (771)	4.2 (539)	31.2 (752)
255	Security Pacific	24.6	126.7 (284)	7.4 (348)	1129.7 (93)
256	Ashland Oil	24.6	330.0 (73)	8.3 (303)	136.5 (392)
257	Jack Eckerd	24.6	63.0 (664)	2.8 (642)	22.4 (789)
258	Lear Siegler	24.4	58.4 (704)	2.7 (647)	34.5 (729)
259	Standard Brands	24.2	124.7 (295)	4.3 (535)	66.5 (538)
260	Harris Corp	24.1	54.0 (729)	3.3 (600)	47.3 (641)
261	Walt Disney	24.0	38.1 (803)	5.6 (448)	56.1 (587)
262	Owens-Corning Fbrgls	24.0	95.3 (432)	2.3 (674)	64.0 (550)
263	Dillon Companies	24.0	86.7 (497)	1.1 (760)	18.2 (807)
264	Chromalloy American	23.9	63.5 (660)	1.9 (699)	41.0 (688)
265	Consol Freightways	23.4	70.5 (603)	1.8 (705)	33.4 (736)
266	West Point-Pepperell	23.4	53.3 (737)	1.8 (705)	24.9 (779)
267	Jim Walter	23.2	84.8 (509)	3.2 (608)	96.0 (442)
268	Consolidated Edison	23.2	170.5 (187)	14.5 (172)	322.1 (309)
269	Whirlpool	23.1	97.1 (416)	4.4 (531)	46.5 (648)
270	Norfolk & Western Ry	23.1	68.4 (617)	10.1 (243)	126.8 (399)

RANKING THE FORBES 500's—JOBS AND PRODUCTIVITY

Rank	Company	Employees (000)	Per employee ($000) Sales (rank)	Profits (rank)	Assets (rank)
271	Campbell Taggart	23.0	48.3 (765)	1.6 (724)	19.3 (804)
272	GK Technologies	23.0	51.7 (748)	3.1 (615)	31.9 (750)
272	Gannett	23.0	52.8 (740)	6.6 (391)	52.7 (604)
274	Continental Corp	22.9	149.0 (227)	8.4 (300)	358.1 (293)
275	Hercules	22.9	108.4 (352)	5.0 (486)	82.4 (476)
276	NL Industries	22.7	93.2 (449)	7.4 (348)	78.1 (489)
277	Armstrong World Inds	22.6	58.4 (704)	2.1 (690)	39.4 (694)
278	Tektronix	22.6	43.0 (792)	3.8 (561)	37.3 (707)
279	Cummins Engine	22.5	74.0 (581)	–0.5 (800)	49.6 (625)
280	Standard Oil Ohio	22.5	489.5 (32)	80.4 (7)	536.4 (224)
281	Carnation	22.4	144.3 (237)	6.9 (373)	70.9 (519)
282	Timken	22.2	60.2 (690)	4.2 (539)	46.3 (649)
283	Tandy	22.0	62.9 (665)	5.1 (477)	32.3 (743)
283	Square D	22.0	45.4 (785)	3.8 (561)	33.7 (733)
283	Missouri Pacific	22.0	101.7 (386)	7.5 (339)	124.1 (401)
286	Baker International	21.7	71.2 (598)	6.4 (401)	64.5 (548)
287	Upjohn	21.5	82.1 (524)	7.9 (325)	77.5 (492)
288	U S Industries	21.4	53.6 (736)	1.0 (767)	38.6 (697)
289	Southern Railway	21.3	76.9 (560)	8.5 (295)	148.6 (384)
290	Kellogg	21.3	101.1 (391)	8.7 (287)	55.5 (591)
291	Roadway Express	21.2	54.5 (725)	3.3 (600)	27.6 (771)
292	SmithKline	21.2	83.6 (515)	14.5 (172)	73.3 (508)
293	Koppers	21.0	91.7 (462)	2.6 (651)	65.9 (542)
294	Olin	21.0	88.2 (491)	1.6 (724)	73.8 (507)
295	American Intl Group	20.8	130.3 (274)	13.6 (182)	331.7 (302)
295	Black & Decker	20.8	69.1 (616)	4.3 (535)	56.9 (583)
297	Chesebrough-Pond's	20.6	66.9 (632)	4.9 (491)	44.6 (663)
298	Becton, Dickinson	20.6	45.7 (783)	3.1 (615)	40.8 (690)
299	Parker-Hannifin	20.6	49.7 (756)	2.7 (647)	31.8 (751)
300	Scott Paper	20.5	101.6 (389)	6.5 (395)	98.2 (435)
301	AMAX	20.4	144.7 (236)	23.1 (89)	258.8 (334)
302	ENSERCH	20.2	133.6 (264)	7.4 (348)	108.5 (422)
303	Duke Power	19.6	85.8 (504)	15.9 (156)	322.7 (307)
304	Continental Tel	19.5	64.9 (647)	6.3 (405)	164.1 (372)
305	Crane	19.3	79.3 (544)	2.2 (682)	52.1 (607)
306	Zale	19.0	54.8 (723)	2.8 (642)	37.8 (702)
307	Ryder System	19.0	89.2 (482)	3.0 (626)	86.7 (462)
308	Cities Service	18.9	411.0 (52)	25.2 (77)	282.8 (323)
309	AMP	18.9	61.1 (682)	6.9 (373)	49.2 (629)
310	United States Gypsum	18.8	78.3 (550)	5.0 (486)	59.1 (571)
311	Marshall Field	18.8	53.9 (731)	1.1 (760)	35.8 (721)
312	Libbey-Owens-Ford	18.7	62.0 (673)	1.5 (731)	48.3 (636)
313	Fairchild Industries	18.7	48.5 (763)	2.9 (633)	43.2 (673)
314	Amer Medical Intl	18.4	29.2 (811)	1.8 (705)	29.6 (764)
315	G D Searle	18.3	59.3 (695)	4.7 (508)	61.9 (559)
316	Natl Medical Entrprs	18.1	33.7 (807)	1.6 (724)	32.9 (741)
317	Diamond Intl	18.1	70.9 (601)	2.2 (682)	52.1 (607)
318	Anheuser-Busch Cos	18.0	182.7 (175)	9.5 (264)	135.8 (394)
319	Evans Products	18.0	79.0 (547)	2.3 (674)	49.3 (628)
320	Cessna Aircraft	18.0	55.5 (718)	1.6 (724)	32.3 (743)
321	Polaroid	18.0	80.6 (535)	4.7 (508)	77.4 (494)
322	Mercantile Stores	18.0	61.6 (679)	2.4 (665)	36.3 (715)
322	MCA	18.0	78.0 (555)	7.0 (366)	137.6 (391)
324	Union Oil California	18.0	554.8 (26)	36.0 (37)	376.3 (284)
325	Chemical New York	17.9	240.8 (112)	9.7 (257)	2314.9 (25)
326	Alco Standard	17.8	125.8 (287)	2.9 (633)	41.6 (684)
327	Rexnord	17.6	61.5 (681)	2.4 (665)	45.1 (659)
328	Revco D S	17.5	62.4 (669)	2.2 (682)	21.0 (799)
329	Wells Fargo	17.5	145.8 (233)	7.0 (366)	1353.8 (66)
330	Foremost-McKesson	17.4	210.4 (137)	3.8 (561)	69.1 (528)
331	Getty Oil	17.3	586.1 (23)	50.3 (21)	477.3 (245)
332	Anderson, Clayton	17.3	98.4 (410)	3.0 (626)	50.0 (623)
333	Oscar Mayer	17.0	104.3 (369)	1.3 (748)	35.8 (721)
334	EG&G	17.0	36.1 (805)	1.5 (731)	11.7 (817)
335	Clark Equipment	17.0	90.6 (469)	3.1 (615)	61.3 (561)
336	Ex-Cell-O	16.8	60.6 (686)	3.0 (626)	41.9 (682)
337	Sherwin-Williams	16.8	75.2 (573)	1.5 (731)	45.7 (656)
338	Super Valu Stores	16.6	253.0 (103)	3.3 (600)	35.7 (723)
339	Foster Wheeler	16.5	94.6 (435)	3.6 (580)	57.6 (578)
340	Commonwlth Edison	16.4	202.3 (148)	23.2 (88)	677.6 (192)
341	Union Camp	16.3	96.8 (420)	10.1 (243)	101.5 (433)
342	Whittaker	16.0	87.3 (493)	3.6 (580)	49.0 (631)
342	Fisher Foods	16.0	88.3 (489)	0.4 (788)	21.3 (797)
342	Harsco	16.0	66.5 (636)	3.1 (615)	41.1 (687)
345	Amer Natl Resources	16.0	190.1 (162)	7.4 (348)	274.2 (326)
346	Akzona	15.9	66.2 (640)	0.3 (792)	53.2 (603)
347	Intel	15.9	53.7 (734)	6.1 (414)	48.2 (637)
348	Ethyl	15.9	109.8 (343)	5.7 (443)	76.2 (497)
349	Pittston	15.8	130.2 (275)	4.9 (491)	85.4 (466)
350	Westvaco	15.7	89.5 (478)	5.6 (448)	73.1 (510)
351	Crocker National	15.7	128.0 (281)	6.1 (414)	1216.4 (79)
352	Sundstrand	15.6	59.4 (693)	5.1 (477)	50.4 (620)
353	Fuqua Industries	15.6	102.0 (384)	4.0 (544)	55.4 (592)
354	Knight-Ridder News	15.4	71.5 (595)	6.0 (421)	56.1 (587)
355	Hughes Tool	15.3	78.8 (548)	8.6 (291)	90.9 (456)
356	Marathon Oil	15.2	536.5 (29)	24.9 (80)	330.8 (303)
357	Crown Cork & Seal	15.2	96.0 (426)	4.8 (498)	57.4 (580)
358	Air Prods & Chems	15.2	93.5 (443)	7.6 (335)	115.2 (414)
359	Phelps Dodge	15.1	95.7 (429)	6.1 (414)	140.3 (390)
360	Louisiana-Pacific	15.0	79.7 (542)	4.0 (544)	74.3 (504)
360	First Natl Supermkts	15.0	91.0* (468)	0.4 (788)	13.9 (815)
362	Petrolane	14.9	95.4 (431)	5.0 (486)	47.3 (641)
363	R R Donnelley & Sons	14.8	75.1 (575)	4.7 (508)	52.1 (607)
364	Marsh & McLennan	14.6	46.3 (779)	6.9 (373)	72.7 (511)
365	Perkin-Elmer	14.6	68.2 (619)	4.7 (508)	50.7 (618)
366	Lincoln National	14.6	184.8 (171)	10.8 (232)	581.4 (213)
367	So New England Tel	14.4	57.3 (709)	5.4 (462)	123.4 (404)
368	Texas Utilities	14.4	151.1 (225)	20.7 (102)	455.4 (250)
369	McGraw-Hill	14.2	70.3 (606)	6.1 (414)	55.2 (594)
370	Connecticut General	14.2	371.8 (60)	22.3 (92)	1179.0 (86)
371	Braniff Intl	14.2	102.4 (379)	–9.3 (813)	78.1 (489)
372	Dravo	14.2	78.7 (549)	1.5 (731)	48.4 (635)
373	National Distillers	14.0	122.1 (301)	7.4 (348)	119.9 (409)
373	Giant Food	14.0	106.0 (359)	1.3 (748)	25.0 (778)
375	Data General	13.9	47.1 (773)	3.9 (551)	46.3 (649)
376	NLT	13.8	54.2 (728)	9.6 (259)	319.9 (312)
377	Cincinnati Milacron	13.8	59.4 (693)	5.5 (455)	45.6 (657)
378	So Calif Edison	13.5	271.1 (94)	23.5 (86)	572.6 (214)
379	National Gypsum	13.5	61.9 (675)	4.5 (523)	59.6 (569)
380	Stauffer Chemical	13.4	126.9 (283)	10.2 (242)	158.1 (376)

RANKING THE FORBES 500's—JOBS AND PRODUCTIVITY

Rank	Company	Employees	Per employee ($000)		
		(000)	Sales (rank)	Profits (rank)	Assets (rank)
381	**ACF Industries**	13.3	77.6 (557)	3.4 (592)	83.6 (471)
382	**Rohm & Haas**	13.2	130.5 (273)	7.1 (360)	93.8 (448)
383	**Joy Manufacturing**	13.2	70.8 (602)	4.5 (523)	55.7 (590)
384	**Central Tel & Utils**	13.1	68.1 (620)	7.1 (360)	144.0 (387)
385	**Engelhard Minerals**	13.1	2028.2 (2)	40.7 (31)	481.0 (241)
386	**Pennwalt**	13.0	91.2 (466)	3.3 (600)	63.7 (551)
387	**Rollins**	13.0	30.8 (809)	2.7 (647)	21.6 (793)
388	**Dillingham**	12.9	105.6 (360)	3.0 (626)	61.6 (560)
389	**Pub Svc Elec & Gas**	12.8	233.8 (118)	21.5 (97)	525.1 (229)
390	**Amer Broadcasting**	12.8	176.3 (184)	11.4 (219)	110.2 (420)
391	**Northwest Airlines**	12.7	128.6 (279)	0.6 (781)	120.2 (407)
392	**ASARCO**	12.7	143.1 (242)	17.0 (138)	161.0 (374)
393	**American Natl Ins**	12.7	52.1 (744)	5.4 (462)	228.3 (352)
394	**Diamond Shamrock**	12.7	248.4 (106)	15.9 (156)	220.7 (354)
395	**Western Union**	12.6	63.1 (662)	3.0 (626)	141.6 (389)
396	**Consumers Power**	12.6	183.2 (174)	17.8 (129)	499.1 (234)
397	**Dover**	12.6	66.5 (636)	5.8 (433)	37.8 (702)
398	**Crouse-Hinds**	12.5	60.3 (688)	3.4 (592)	32.1 (747)
399	**PACCAR**	12.5	134.4 (261)	6.5 (395)	62.0 (558)
400	**Gt Northern Nekoosa**	12.4	110.8 (339)	8.0 (319)	97.6 (439)
400	**Newmont Mining**	12.4	71.1 (599)	15.9 (156)	116.7 (411)
402	**National Can**	12.3	125.8 (287)	4.5 (523)	66.2 (540)
403	**Continental Illinois**	12.3	384.8 (56)	18.4 (121)	3433.9 (9)
404	**Bankers Trust N Y**	12.2	302.8 (83)	17.5 (131)	2803.6 (15)
405	**Wheeling-Pitts Steel**	12.1	89.3 (481)	1.2 (754)	81.0 (480)
406	**Beckman Instruments**	12.1	45.4 (785)	3.0 (626)	44.1 (666)
407	**Hershey Foods**	12.1	110.7 (341)	5.1 (477)	56.7 (584)
408	**Northwest Bancorp**	12.0	123.0 (299)	9.4 (267)	1197.9 (84)
409	**National Tea**	12.0	101.6 (389)	0.7 (779)	22.6 (786)
409	**Avnet**	12.0	105.6 (360)	6.0 (421)	51.6 (613)
409	**Middle South Utils**	12.0	195.2 (155)	16.3 (153)	611.2 (205)
409	**Hammermill Paper**	12.0	98.6 (407)	3.4 (592)	59.5 (570)
409	**St Joe Minerals**	12.0	106.6 (355)	9.8 (253)	147.1 (386)
414	**Auto Data Processing**	11.9	38.3 (802)	3.2 (608)	30.0 (759)
415	**Genuine Parts**	11.7	122.3 (300)	5.8 (433)	45.0 (660)
416	**Wang Laboratories**	11.7	46.6 (777)	4.5 (523)	49.6 (625)
417	**Bausch & Lomb**	11.6	50.2 (753)	4.5 (523)	35.6 (724)
418	**First Natl Boston**	11.5	202.9 (147)	8.9 (278)	1386.8 (59)
418	**Houston Natural Gas**	11.5	205.0 (145)	17.1 (137)	164.4 (371)
418	**Amsted Industries**	11.5	79.6 (543)	6.2 (408)	39.4 (694)
421	**Texas Gas Transmn**	11.5	194.2 (156)	8.3 (303)	132.9 (395)
422	**General Public Utils**	11.4	160.1 (212)	1.8 (705)	440.7 (258)
423	**Columbia Gas Sys**	11.4	319.0 (76)	15.0 (167)	338.8 (299)
424	**J P Morgan**	11.3	456.8 (38)	30.2 (53)	4590.8 (3)
425	**Tiger International**	11.3	135.0 (260)	3.7 (571)	243.7 (345)
426	**St Paul Companies**	11.2	166.5 (202)	9.8 (253)	379.0 (282)
427	**Safeco**	11.2	117.6 (315)	9.6 (259)	234.3 (347)
428	**Foxboro**	11.2	45.5 (784)	2.9 (633)	37.6 (705)
429	**Farmers Group**	11.2	43.0 (792)	9.6 (259)	126.3 (400)
430	**Florida Power & Lt**	11.1	211.8 (136)	17.9 (128)	495.5 (237)
431	**Kerr-McGee**	11.1	314.6 (78)	16.5 (151)	253.9 (338)
432	**Kaiser Steel**	11.0	80.2 (536)	17.4 (134)	123.3 (405)
433	**Food Fair**	11.0	102.2 (381)	1.2 (754)	33.3 (737)
433	**CBI Industries**	11.0	62.0 (673)	6.2 (408)	70.9 (519)
435	**Detroit Edison**	10.8	167.1 (198)	17.4 (134)	529.3 (226)
436	**Interlake**	10.8	97.4 (415)	1.3 (748)	64.9 (545)
437	**Santa Fe Intl**	10.8	111.8 (334)	7.5 (339)	129.8 (398)
438	**Fed-Mart**	10.8	98.3 (412)	-0.6 (801)	29.0 (768)
439	**First Chicago**	10.6	322.1 (75)	5.9 (428)	2707.0 (17)
440	**Intl Minerals & Chem**	10.6	168.8 (193)	13.8 (179)	174.4 (367)
441	**Charter**	10.5	430.3 (44)	4.8 (498)	166.3 (370)
442	**Smith International**	10.5	74.8 (577)	7.5 (339)	78.6 (486)
443	**Central Soya**	10.5	166.6 (201)	3.3 (600)	62.9 (555)
444	**Kemper**	10.4	140.4 (248)	8.0 (319)	267.1 (329)
445	**Iowa Beef Processors**	10.4	447.1 (40)	5.1 (477)	49.1 (630)
446	**InterNorth**	10.3	295.6 (85)	20.6 (105)	339.2 (298)
447	**Pennzoil**	10.2	242.3 (111)	30.1 (54)	252.9 (340)
448	**Marine Midland Bks**	10.2	181.5 (176)	5.5 (455)	1706.2 (45)
449	**Potlatch**	10.2	80.0 (537)	4.8 (498)	99.7 (434)
450	**Va Electric & Power**	10.1	209.8 (138)	23.9 (84)	642.5 (198)
451	**U S Air**	10.0	96.7 (421)	6.0 (421)	71.2 (518)
452	**Baldwin-United**	10.0	94.0 (440)	5.4 (462)	259.1 (333)
452	**Richardson-Vicks**	10.0	92.9 (453)	7.4 (348)	69.2 (527)
454	**First Bank System**	9.7	137.4 (257)	11.5 (214)	1385.2 (60)
455	**Bally Manufacturing**	9.7	69.9 (609)	5.5 (455)	67.8 (533)
456	**Peabody Intl**	9.7	70.5 (603)	1.8 (705)	46.3 (649)
456	**Crum & Forster**	9.7	199.2 (153)	16.6 (150)	401.7 (271)
458	**Lone Star Industries**	9.7	93.8 (442)	6.1 (414)	108.4 (423)
459	**Niagara Mohawk Pwr**	9.7	183.7 (173)	16.8 (143)	393.6 (277)
460	**Cameron Iron Works**	9.7	72.2 (593)	8.1 (315)	83.9 (470)
461	**Phila Electric**	9.6	220.4 (129)	23.6 (85)	592.0 (209)
462	**GATX**	9.6	103.2 (375)	6.9 (373)	250.7 (341)
463	**Deluxe Check Printers**	9.5	44.9 (789)	4.7 (508)	27.1 (773)
464	**Adolph Coors**	9.5	93.5 (443)	6.8 (384)	94.1 (445)
464	**Eastern Gas & Fuel**	9.5	105.6 (360)	5.8 (433)	107.4 (427)
466	**Storage Technology**	9.4	63.9 (655)	4.8 (498)	78.2 (487)
467	**Pacific Lighting**	9.4	352.7 (67)	11.3 (222)	282.1 (324)
468	**Reliance Group**	9.4	143.7 (241)	8.4 (300)	285.2 (321)
468	**Masco**	9.4	81.5 (530)	8.2 (308)	91.7 (453)
470	**Warner Commun**	9.4	220.3 (130)	14.7 (170)	189.2 (363)
471	**Shearson Loeb Rhoads**	9.3	70.5 (603)	6.0 (421)	244.9 (342)
471	**Dean Witter Reynolds**	9.3	76.3 (564)	3.9 (551)	201.9 (358)
473	**E F Hutton Group**	9.3	121.7 (303)	8.9 (278)	508.8 (232)
474	**Waste Management**	9.2	60.8 (684)	5.9 (428)	62.4 (556)
475	**Irving Bank**	9.2	189.2 (165)	9.3 (268)	1966.3 (36)
476	**Alleghany**	9.0	129.5 (276)	6.0 (421)	372.6 (286)
477	**Baltimore Gas & Elec**	8.7	141.4 (245)	16.1 (155)	354.4 (295)
478	**U S Fidelity & Gty**	8.7	260.5 (100)	26.4 (69)	491.0 (238)
479	**Parsons**	8.6	89.9 (473)	3.1 (615)	33.5 (734)
480	**Intl Multifoods**	8.5	118.4 (312)	2.2 (682)	50.6 (619)
481	**Willamette Inds**	8.5	110.2 (342)	6.9 (373)	94.1 (445)
482	**Borman's**	8.5	117.3 (316)	0.0 (797)	17.1 (810)
483	**Houston Industries**	8.4	281.9 (88)	21.9 (94)	527.9 (227)
484	**Amerada Hess**	8.4	938.7 (10)	64.4 (10)	703.3 (186)
485	**Central & South West**	8.3	207.5 (142)	22.2 (93)	505.6 (233)
486	**American General**	8.3	276.1 (91)	20.2 (107)	878.7 (144)
486	**El Paso**	8.3	426.9 (47)	−36.5 (818)	360.3 (291)
488	**Peoples Energy**	8.3	365.6 (62)	16.7 (146)	398.6 (273)
489	**SEDCO**	8.1	45.8 (782)	4.7 (508)	82.5 (475)
490	**George A Hormel**	8.1	163.0 (207)	4.0 (544)	43.9 (668)

RANKING THE FORBES 500's—JOBS AND PRODUCTIVITY

		Employees	Per employee ($000)		
Rank	Company	(000)	Sales (rank)	Profits (rank)	Assets (rank)
491	Pacific Pwr & Lt	8.0	122.1 (301)	16.8 (143)	445.4 (256)
491	Fleming Companies	8.0	352.6 (68)	2.6 (651)	43.2 (673)
493	Amstar	8.0	161.1 (210)	3.9 (551)	76.1 (498)
494	Paine Webber	7.9	112.9 (330)	−0.9 (802)	441.3 (257)
495	Raychem	7.9	58.9 (697)	4.6 (517)	51.5 (615)
496	Seafirst	7.7	134.3 (262)	8.8 (284)	1242.1 (73)
497	Pa Power & Light	7.6	115.8 (319)	23.5 (86)	562.5 (217)
498	Chubb	7.6	170.0 (188)	13.9 (177)	361.3 (290)
498	Cabot	7.6	184.7 (172)	20.1 (109)	152.7 (381)
498	Bache Group	7.6	81.8 (528)	3.5 (586)	390.3 (278)
498	Williams Companies	7.6	272.7 (93)	18.2 (126)	313.2 (314)
502	Northeast Utilities	7.6	175.2 (185)	11.7 (211)	479.9 (243)
503	Consol Natural Gas	7.5	332.6 (72)	15.7 (161)	363.5 (289)
504	Zapata	7.5	84.9 (508)	5.8 (433)	132.2 (396)
504	Alexander & Alexander	7.5	54.9 (722)	7.5 (339)	89.8 (459)
506	Ohio Edison	7.4	146.2 (232)	18.3 (124)	538.3 (223)
507	Advanced Micro Devcs	7.3	30.9 (808)	3.2 (608)	22.6 (786)
508	Centex	7.3	145.8 (233)	4.6 (517)	123.6 (403)
509	Bank of New York	7.2	153.1 (221)	6.8 (384)	1447.8 (55)
510	Clark Oil & Refining	7.2	226.1 (121)	6.1 (414)	67.8 (533)
511	No States Power	7.2	161.7 (209)	15.5 (162)	381.5 (280)
512	Malone & Hyde	7.1	261.2 (99)	3.5 (586)	48.8 (633)
512	Gulf United	7.1	95.0 (434)	11.1 (226)	308.3 (318)
514	Twentieth Century-Fox	7.0	120.6 (305)	7.8 (329)	107.3 (428)
515	Gelco	7.0	93.5 (443)	5.8 (433)	274.8 (325)
516	Barnett Banks Fla	7.0	62.5 (668)	5.4 (462)	636.8 (199)
517	Mellon National	6.9	230.9 (119)	16.3 (153)	2339.5 (24)
518	Union Electric	6.8	157.4 (215)	22.6 (91)	518.7 (230)
519	Federal Express	6.8	61.0 (683)	5.7 (443)	58.5 (573)
520	Michigan National	6.8	89.0 (484)	5.9 (428)	846.6 (154)
520	Panhandle Eastern	6.8	363.6 (63)	27.0 (64)	474.8 (247)
522	Valley Natl Bk Ariz	6.8	89.2 (482)	7.9 (325)	846.1 (155)
523	Witco Chemical	6.6	177.5 (182)	6.2 (408)	95.2 (443)
524	Capital Holding	6.6	83.3 (517)	13.6 (182)	395.7 (276)
525	NBD Bancorp	6.5	156.5 (216)	11.4 (219)	1661.9 (46)
526	Sanders Associates	6.5	43.2 (791)	2.9 (633)	36.2 (717)
527	Coastal Corp	6.5	787.3 (16)	16.9 (141)	633.0 (200)
528	Texasgulf	6.5	168.2 (195)	44.2 (28)	310.2 (317)
529	Geosource	6.5	68.3 (618)	5.1 (477)	47.2 (643)
530	Flickinger	6.4	165.5 (203)	1.2 (754)	21.1 (798)
531	Washington National	6.4	136.7 (258)	5.8 (433)	475.5 (246)
532	First City Bancorp	6.4	167.1 (198)	14.0 (176)	1774.8 (41)
532	Carolina Pwr & Lt	6.4	169.3 (189)	25.4 (74)	667.7 (194)
534	Capital Cities Comm	6.3	74.7 (578)	11.2 (223)	82.3 (477)
535	Public Service Colo	6.2	185.3 (169)	13.6 (182)	355.3 (294)
536	No Indiana Pub Svc	6.2	219.1 (131)	11.6 (212)	407.2 (270)
537	Jefferson-Pilot	6.1	131.0 (270)	15.0 (167)	478.3 (244)
538	Wisconsin Elec Pwr	6.1	165.4 (204)	13.5 (185)	333.4 (301)
539	Texas Commerce Bshs	6.1	169.2 (190)	16.7 (146)	1857.0 (38)
540	Vulcan Materials	6.0	124.8 (292)	11.6 (212)	98.1 (437)
541	Waldbaum	6.0	211.9 (135)	1.8 (705)	36.7 (713)
541	Parker Drilling	6.0	63.8 (656)	6.6 (391)	77.5 (492)
543	BancOhio	6.0	85.4 (506)	1.3 (748)	834.9 (156)
544	Wachovia	5.9	93.5 (443)	8.2 (308)	957.6 (125)
545	First Intl Bshs	5.8	236.5 (117)	20.2 (107)	2357.7 (23)
546	Kaneb Services	5.8	111.3 (337)	12.3 (203)	359.7 (292)
547	M/A-Com	5.8	55.4 (720)	4.3 (535)	42.0 (680)
548	MAPCO	5.8	304.4 (81)	21.0 (100)	254.3 (336)
549	Southeast Banking	5.8	104.0 (371)	8.2 (308)	1009.2 (113)
550	Republic of Texas	5.8	216.6 (132)	15.1 (166)	2062.0 (32)
551	So Natural Resources	5.7	306.4 (80)	24.5 (81)	374.9 (285)
552	W W Grainger	5.7	137.5 (256)	8.6 (291)	72.6 (512)
553	Allegheny Power	5.6	206.1 (144)	18.4 (121)	535.1 (225)
554	Long Island Lighting	5.6	227.3 (120)	36.5 (36)	697.5 (187)
555	Citizens & Sthrn Ga	5.6	82.0 (525)	6.3 (405)	772.9 (171)
556	U S Bancorp	5.6	93.9 (441)	10.3 (239)	869.2 (148)
557	Archer Danls Midland	5.6	501.3 (31)	20.7 (102)	244.3 (344)
558	Rainier Bancorp	5.6	102.2 (381)	7.0 (366)	937.1 (130)
559	Liberty Natl Ins Hold	5.6	85.5 (505)	11.8 (209)	398.1 (274)
560	Datapoint	5.5	57.9 (708)	6.1 (414)	40.6 (691)
561	Texas Eastern	5.5	776.9 (17)	40.0 (32)	602.7 (207)
562	Big Three Industries	5.5	120.1 (307)	15.8 (159)	148.5 (385)
563	New England Electric	5.5	199.1 (154)	13.9 (177)	387.1 (279)
564	Bucyrus-Erie	5.4	94.4 (436)	8.9 (278)	115.5 (412)
565	GEICO	5.4	134.2 (263)	11.0 (229)	272.5 (327)
566	Arizona Public Serv	5.4	141.8 (243)	26.5 (68)	542.2 (221)
567	Sysco	5.4	222.1 (126)	3.8 (561)	51.1 (616)
568	Ohio Casualty	5.4	158.2 (214)	12.9 (193)	257.3 (335)
569	Potomac Elec Power	5.3	161.1 (210)	19.6 (111)	451.0 (254)
570	Consolidated Papers	5.3	96.7 (421)	10.0 (246)	73.3 (508)
571	Superior Oil	5.3	285.1 (87)	63.7 (12)	659.0 (196)
572	Sigmor	5.2	253.1 (102)	9.2 (273)	86.3 (464)
573	Tymshare	5.2	45.4 (785)	3.6 (580)	36.3 (715)
574	Equitable of Iowa	5.1	79.1 (545)	3.7 (571)	341.9 (297)
574	Dow Jones	5.1	104.1 (370)	11.5 (214)	77.8 (491)
576	Cleveland Elec Illum	5.0	178.8 (181)	25.1 (78)	619.3 (204)
577	Cincinnati G & E	5.0	191.7 (159)	18.1 (127)	454.2 (251)
578	Philadelphia Natl	5.0	132.7 (266)	8.1 (315)	1251.2 (71)
579	NCNB	4.8	153.6 (219)	9.8 (253)	1485.3 (52)
580	Mallinckrodt	4.8	92.0 (460)	7.5 (339)	74.3 (504)
581	Ark Louisiana Gas	4.8	203.0 (146)	15.3 (164)	254.1 (337)
582	Entex	4.8	202.3 (148)	7.5 (339)	436.3 (261)
583	Sun Banks of Florida	4.8	68.0 (621)	5.7 (443)	690.9 (189)
584	San Diego Gas & Elec	4.8	201.1 (150)	10.9 (230)	415.7 (267)
585	Walter E Heller Intl	4.7	164.1 (206)	9.1 (276)	1218.0 (78)
586	NICOR	4.7	370.1 (61)	21.6 (96)	432.7 (264)
587	Gearhart Industries	4.7	50.9 (751)	5.7 (443)	50.1 (621)
588	Murphy Oil	4.7	422.2 (48)	32.3 (48)	495.6 (236)
588	Public Service Ind	4.7	138.6 (253)	26.3 (70)	603.0 (206)
590	First Security	4.6	85.4 (506)	8.2 (308)	777.3 (167)
591	Maryland National	4.6	90.6 (469)	6.6 (391)	880.3 (143)
592	DEKALB AgResearch	4.6	118.5 (311)	9.5 (264)	174.6 (366)
593	Western Co No Amer	4.6	99.7 (397)	11.4 (219)	157.3 (377)
594	First Pennsylvania	4.5	166.8 (200)	−36.2 (817)	1213.2 (81)
595	AmeriTrust	4.5	125.2 (289)	11.5 (214)	1238.5 (74)
596	Natomas	4.5	292.4 (86)	46.3 (26)	399.6 (272)
596	Teleprompter	4.5	45.2 (788)	5.2 (473)	85.6 (465)
598	Duquesne Light	4.5	154.5 (217)	20.8 (101)	547.4 (220)
599	United Va Bankshares	4.5	82.3 (523)	7.0 (366)	774.3 (170)
600	Colonial Penn Group	4.5	179.7 (177)	11.9 (207)	232.6 (349)

RANKING THE FORBES 500's—JOBS AND PRODUCTIVITY

		Employees	Per employee ($000)		
Rank	Company	(000)	Sales (rank)	Profits (rank)	Assets (rank)
601	Nalco Chemical	4.4	139.8 (251)	16.4 (152)	94.4 (444)
602	USLIFE	4.4	179.2 (179)	19.6 (111)	814.0 (160)
603	A E Staley Mfg	4.3	381.9 (57)	17.0 (138)	171.1 (368)
604	H F Ahmanson	4.3	318.9 (77)	11.2 (223)	3048.7 (14)
604	Medtronic	4.3	62.9 (665)	9.0 (277)	59.7 (567)
606	Virginia Natl Bshs	4.3	66.9 (632)	4.8 (498)	629.5 (201)
607	N Y State Elec & Gas	4.3	151.7 (223)	20.7 (102)	439.9 (259)
608	First Union	4.2	91.4 (463)	6.5 (395)	774.4 (169)
609	Cox Broadcasting	4.2	73.2 (588)	13.4 (186)	109.3 (421)
610	Ideal Basic Inds	4.2	108.9 (349)	12.5 (198)	200.3 (359)
611	Gulf States Utils	4.2	239.1 (116)	27.9 (62)	695.9 (188)
612	BayBanks	4.2	73.8 (582)	6.4 (401)	771.0 (172)
613	Lubrizol	4.2	222.1 (126)	26.8 (66)	156.7 (378)
614	First Wisconsin	4.1	124.0 (297)	7.2 (357)	1091.4 (100)
615	Trust Co of Georgia	4.1	81.8 (528)	8.5 (295)	753.5 (176)
616	DETROITBANK	4.1	128.8 (277)	8.5 (295)	1382.4 (62)
617	Florida Power	4.1	239.2 (114)	16.8 (143)	553.2 (218)
618	Amdahl	4.0	98.1 (413)	3.8 (561)	96.9 (440)
619	Pacific Lumber	4.0	72.4 (591)	10.5 (236)	65.7 (543)
620	Utah Power & Light	4.0	152.7 (222)	26.7 (67)	525.7 (228)
621	Boston Edison	4.0	224.2 (123)	16.9 (141)	451.2 (253)
622	Illinois Power	3.9	225.1 (122)	28.9 (59)	628.6 (202)
623	Reading & Bates	3.9	104.8 (365)	18.5 (118)	183.8 (364)
624	Dayton Power & Light	3.9	167.3 (197)	16.7 (146)	433.6 (262)
625	Manufacturers Natl	3.9	125.0 (290)	7.2 (357)	1238.0 (75)
626	Harris Bankcorp	3.8	189.0 (166)	8.0 (319)	1798.1 (40)
627	Alexander & Baldwin	3.8	115.1 (321)	19.2 (114)	174.8 (365)
628	Fort Howard Paper	3.7	106.1 (357)	18.3 (124)	135.9 (393)
629	Mercantile Texas	3.7	148.6 (229)	12.7 (195)	1463.1 (53)
630	CBT	3.7	88.5 (488)	5.5 (455)	851.2 (153)
631	California First Bnk	3.7	102.5 (377)	4.9 (491)	972.6 (120)
632	Shawmut	3.7	93.0 (452)	4.5 (523)	929.1 (131)
633	Northern Trust	3.7	167.4 (196)	8.5 (295)	1590.6 (49)
634	Combined Internatl	3.7	207.1 (143)	26.2 (71)	352.0 (296)
635	Intl Flavors & Frag	3.6	124.6 (296)	17.6 (130)	115.3 (413)
636	Phila Suburban	3.6	94.1 (439)	10.0 (246)	118.2 (410)
637	First Atlanta	3.6	93.1 (451)	6.6 (391)	884.5 (142)
638	Provident Life & Acc	3.6	273.5 (92)	18.7 (117)	659.7 (195)
639	Oklahoma Gas & Elec	3.5	201.1 (150)	18.5 (118)	497.1 (235)
640	Pittsburgh National	3.5	179.5 (178)	13.7 (181)	1769.0 (42)
641	Tesoro Petroleum	3.5	1008.1 (9)	29.7 (56)	202.2 (357)
642	Florida Natl Banks	3.5	58.4 (704)	4.6 (517)	705.3 (185)
643	AmSouth Bancorp	3.5	80.9 (534)	8.2 (308)	787.4 (164)
644	Girard	3.5	131.1 (269)	9.8 (253)	1269.0 (70)
645	Banco Popular PR	3.4	81.9 (527)	6.9 (373)	767.9 (173)
646	Wetterau	3.4	362.3 (64)	4.0 (544)	72.1 (516)
647	Utd Energy Resources	3.4	1213.4 (6)	48.5 (23)	570.6 (215)
648	Industrial National	3.4	119.1 (309)	8.3 (303)	1014.9 (111)
649	National City	3.4	153.8 (218)	13.8 (179)	1615.7 (48)
650	Midlantic Banks	3.4	91.8 (461)	8.3 (303)	1009.2 (113)
651	First Tennessee Natl	3.3	88.9 (485)	7.1 (360)	870.6 (147)
652	So Carolina E & G	3.3	189.5 (164)	19.1 (115)	541.6 (222)
653	Lincoln First Banks	3.3	105.1 (363)	4.8 (498)	1040.4 (105)
654	Mercantile Bancorp	3.3	141.5 (244)	11.5 (214)	1407.8 (58)
654	Tidewater	3.3	78.1 (552)	10.0 (246)	123.2 (406)

		Employees	Per employee ($000)		
Rank	Company	(000)	Sales (rank)	Profits (rank)	Assets (rank)
656	Prime Computer	3.3	81.3 (532)	9.5 (264)	70.8 (521)
657	Bank of Virginia	3.3	86.2 (501)	3.8 (561)	734.4 (180)
658	BanCal Tri-State	3.3	121.4 (304)	5.2 (473)	1177.6 (88)
659	First & Merchants	3.3	78.3 (550)	4.5 (523)	705.8 (184)
660	Commerce Bancshrs .	3.2	86.4 (499)	8.4 (300)	856.4 (152)
661	Fidelity Union Bncp	3.2	82.9 (519)	7.3 (354)	1019.5 (110)
662	First Union Bancorp	3.2	131.9 (268)	9.7 (257)	1352.0 (67)
663	State Street Boston	3.2	101.7 (386)	6.9 (373)	953.5 (126)
664	U S Home	3.2	343.1 (70)	14.1 (175)	229.6 (351)
665	Mitchell Enrgy & Dev	3.1	223.2 (124)	32.3 (48)	378.5 (283)
666	Banc One	3.1	96.3 (424)	10.5 (236)	906.2 (137)
667	Dominion Bankshares	3.1	82.7 (521)	6.5 (395)	812.4 (161)
668	ROLM	3.1	65.0 (646)	5.6 (448)	38.1 (700)
669	Financial General	3.1	79.1 (545)	5.4 (462)	795.4 (163)
670	Flagship Banks	3.0	69.2 (613)	7.1 (360)	783.3 (165)
671	Northwestern Finl	3.0	63.8 (656)	4.7 (508)	590.6 (210)
672	Portland Genl Elec	3.0	162.5 (208)	28.6 (61)	683.4 (190)
673	Louisiana Land	3.0	349.6 (69)	59.8 (15)	379.6 (281)
674	Pioneer	3.0	303.2 (82)	30.1 (54)	233.8 (348)
675	Pall	3.0	46.9 (775)	6.3 (405)	44.2 (665)
675	First Natl State Bcp	3.0	99.3 (401)	7.0 (366)	1306.2 (68)
677	Computervision	3.0	75.6 (569)	7.9 (325)	56.5 (585)
678	Society	3.0	115.1 (321)	8.9 (278)	1160.4 (89)
679	United Banks of Colo	3.0	97.1 (416)	8.0 (319)	927.2 (132)
680	Fidelcor	2.9	113.9 (326)	3.9 (551)	1125.6 (95)
681	South Carolina Natl	2.9	58.3 (707)	6.2 (408)	549.8 (219)
682	Key Banks	2.9	67.2 (631)	5.9 (428)	867.5 (150)
683	PennCorp Financial	2.9	165.2 (205)	7.5 (339)	782.0 (166)
684	Huntington Bshs	2.9	95.9 (427)	7.9 (325)	979.1 (117)
685	Atlantic Bancorp	2.8	67.8 (624)	5.6 (448)	676.9 (193)
686	American Petrofina	2.7	765.3 (20)	38.0 (34)	433.1 (263)
687	First Natl Bancorp	2.7	98.8 (405)	7.6 (335)	913.1 (135)
688	Freeport Minerals	2.7	243.1 (110)	53.9 (19)	326.2 (305)
689	Equitable Bancorp	2.7	78.1 (552)	3.4 (592)	756.3 (175)
690	Commercial Metals	2.7	462.8 (37)	6.7 (389)	80.5 (481)
691	United Jersey Banks	2.7	86.8 (496)	5.5 (455)	964.5 (123)
692	Hartford Natl	2.7	90.1 (472)	5.1 (477)	1014.5 (112)
693	Southwest Bancshs	2.7	140.0 (250)	10.9 (230)	1540.1 (50)
694	Bancorp Hawaii	2.7	89.4 (479)	9.3 (268)	871.3 (146)
695	Tosco	2.6	902.2 (12)	17.4 (134)	329.7 (304)
696	Kansas City Pwr & Lt	2.6	168.7 (194)	26.0 (72)	582.3 (212)
697	First Maryland Bncp	2.6	98.6 (407)	7.8 (329)	901.9 (139)
698	Central Fidelity Bks	2.6	74.2 (580)	5.8 (433)	734.4 (180)
699	Centran	2.6	136.2 (259)	9.3 (268)	1381.3 (63)
699	Central Bancorp	2.6	86.0 (503)	6.9 (373)	877.3 (145)
701	First Alabama Bshs	2.5	83.5 (516)	10.0 (246)	776.7 (168)
702	First American Bank	2.5	79.8 (540)	6.5 (395)	947.9 (128)
703	New England Merch	2.5	139.6 (252)	8.7 (287)	1142.2 (90)
704	American Fletcher	2.5	116.8 (317)	7.6 (335)	1058.8 (103)
705	Marshall & Ilsley	2.5	99.9 (396)	8.0 (319)	978.9 (118)
706	Transco Companies	2.5	1064.7 (8)	48.7 (22)	1235.5 (76)
707	Public Service N M	2.5	114.3 (323)	29.1 (57)	594.1 (208)
708	Texas Oil & Gas	2.4	485.1 (33)	57.7 (16)	627.0 (203)
709	First Kentucky Natl	2.4	96.1 (425)	8.8 (284)	904.4 (138)
710	Homestake Mining	2.4	128.2 (280)	43.1 (29)	155.7 (379)

RANKING THE FORBES 500's—JOBS AND PRODUCTIVITY

		Employees	Per employee ($000)		
Rank	Company	(000)	Sales (rank)	Profits (rank)	Assets (rank)
711	Tele-Communications	2.3	53.3 (737)	3.5 (586)	149.3 (383)
712	Provident National	2.3	127.2 (282)	12.5 (198)	1185.0 (85)
713	Toledo Edison	2.3	173.2 (186)	29.0 (58)	733.4 (182)
713	Overseas Shipholding	2.3	128.7 (278)	34.1 (41)	460.3 (249)
715	Texas American Bshs	2.3	145.4 (235)	12.5 (198)	1457.4 (54)
715	United Bank Corp NY	2.3	82.8 (520)	11.8 (209)	983.3 (116)
717	First Charter Finl	2.3	415.3 (50)	17.0 (138)	4207.1 (6)
718	Southern Bancorp Ala	2.3	92.6 (454)	8.1 (315)	815.3 (159)
719	Gt Western Financial	2.2	445.4 (42)	17.5 (131)	4579.2 (4)
720	Equimark	2.2	130.6 (272)	4.3 (535)	1289.5 (69)
721	Indiana National	2.2	114.2 (324)	7.5 (339)	1084.5 (101)
722	Riggs Natl Bank	2.2	132.2 (267)	11.1 (226)	1439.4 (57)
722	Central Bancshares	2.2	97.1 (416)	8.7 (287)	943.3 (129)
724	Indianapolis Pwr & Lt	2.2	153.5 (220)	25.6 (73)	489.8 (239)
725	First Empire State	2.1	91.4 (463)	4.6 (517)	867.9 (149)
726	First American	2.1	95.7 (429)	7.2 (357)	888.6 (141)
727	Arizona Bank	2.1	101.0 (393)	7.3 (354)	961.1 (124)
728	Global Marine	2.1	104.7 (366)	21.4 (98)	265.6 (330)
729	Pioneer Hi-Bred Intl	2.1	194.0 (157)	27.4 (63)	164.0 (373)
730	Idaho First Natl Bk	2.1	89.4 (479)	10.0 (246)	910.1 (136)
731	Turner Construction	2.1	858.1 (14)	3.4 (592)	151.8 (382)
732	First Hawaiian	2.1	92.5 (456)	8.2 (308)	893.9 (140)
733	First Florida Banks	2.1	89.7 (474)	8.1 (315)	990.9 (115)
734	Marine	2.1	88.3 (489)	5.6 (448)	951.3 (127)
735	Third National	2.1	98.9 (404)	6.4 (401)	914.1 (134)
736	General Re	2.0	546.4 (27)	76.4 (9)	1808.4 (39)
737	Old Kent Financial	2.0	97.7 (414)	10.1 (243)	970.7 (121)
738	Republic New York	2.0	385.5 (55)	28.9 (59)	3223.5 (12)
739	Brown-Forman Dist	2.0	212.7 (134)	25.3 (76)	231.7 (350)
740	Donaldson, Lufkin	2.0	244.1 (109)	4.4 (531)	1748.6 (43)
741	First Natl Charter	2.0	98.6 (407)	8.6 (291)	1031.1 (107)
742	Belco Petroleum	1.9	429.4 (45)	40.0 (32)	513.8 (231)
743	Tenn Valley Bancorp	1.9	116.3 (318)	4.2 (539)	1113.5 (97)
744	Petrolite	1.9	133.6 (264)	13.1 (188)	92.4 (450)
744	United Missouri Bshs	1.9	87.3 (493)	9.9 (252)	1027.9 (108)
744	Seatrain Lines	1.9	661.8 (22)	−18.6 (816)	480.7 (242)
747	Indust Valley Bank	1.9	104.9 (364)	0.1 (796)	857.2 (151)
748	Cullen/Frost Bankers	1.9	113.9 (326)	7.3 (354)	1133.0 (92)
749	Public Service N H	1.8	190.1 (162)	32.4 (47)	678.7 (191)
750	Natl Central Financl	1.8	108.6 (351)	9.2 (273)	1053.0 (104)
750	Nationwide	1.8	353.8 (66)	19.6 (111)	1539.1 (51)
752	Noble Affiliates	1.8	149.0 (227)	27.0 (64)	244.6 (343)
753	Hospital Trust	1.8	102.4 (379)	4.6 (517)	969.3 (122)
754	Citizens Fidelity	1.8	111.4 (336)	10.0 (246)	1127.8 (94)
755	American B & T Pa	1.8	113.7 (329)	11.1 (226)	1094.9 (99)
756	Allied Bancshares	1.7	169.2 (190)	21.4 (98)	1640.9 (47)
757	Boatmen's Bancshs	1.7	108.7 (350)	9.3 (268)	1231.9 (77)
758	Imperial Corp of Am	1.7	428.9 (46)	24.4 (82)	4415.5 (5)
759	General American Oil	1.6	144.3 (237)	35.7 (38)	284.3 (322)
760	Zions Utah Bancorp	1.6	113.9 (326)	10.6 (233)	1023.9 (109)
761	Sumitomo Bank Cal	1.6	123.1 (298)	6.7 (389)	1213.4 (80)
762	First National Cinc	1.6	120.4 (306)	14.7 (170)	1209.5 (82)
763	Merchants National	1.6	149.6 (226)	8.8 (284)	1447.3 (56)
763	Continental Bank	1.6	126.2 (285)	12.6 (196)	1205.7 (83)
765	MCI Communications	1.6	92.5 (456)	4.6 (517)	198.6 (360)
766	Rowan Companies	1.5	169.0 (192)	47.1 (24)	317.6 (313)
767	United States Trust	1.5	111.7 (335)	6.8 (384)	1382.8 (61)
767	Crown Central Petrol	1.5	844.6 (15)	12.8 (194)	364.3 (288)
769	Deposit Guaranty	1.5	109.1 (348)	8.6 (291)	1120.0 (96)
770	First United Bancorp	1.5	141.2 (246)	13.0 (191)	1358.9 (64)
771	MGIC Investment	1.5	207.9 (141)	55.7 (18)	735.7 (179)
772	First Boston	1.5	393.7 (54)	22.8 (90)	4090.0 (7)
773	Northwest Energy	1.5	909.0 (11)	37.1 (35)	736.3 (178)
774	Commonwealth Oil	1.4	888.3 (13)	−10.3 (814)	424.1 (265)
775	Union Commerce	1.4	118.7 (310)	3.7 (571)	1139.4 (91)
776	Helmerich & Payne	1.4	140.2 (249)	33.4 (44)	264.6 (331)
777	Valero Energy	1.4	1215.7 (5)	45.9 (27)	569.4 (216)
778	American Security	1.4	200.7 (152)	17.5 (131)	1993.8 (33)
779	Alaska Interstate	1.4	193.8 (158)	46.8 (25)	439.7 (260)
780	Centl Louisiana Engy	1.3	775.1 (18)	62.5 (13)	797.4 (162)
781	Gibraltar Financial	1.3	327.5 (74)	−4.1 (810)	3304.2 (11)
782	Houston Oil & Min	1.3	258.1 (101)	61.6 (14)	834.1 (157)
783	First Oklahoma Bncp	1.2	178.9 (180)	19.7 (110)	1887.5 (37)
784	Petro-Lewis	1.2	92.6 (454)	18.5 (118)	253.8 (339)
785	Fedl Natl Mortgage	1.2	4248.7 (1)	11.9 (207)	48888.0 (1)
786	City Federal S & L	1.2	185.0 (170)	2.8 (642)	1967.4 (35)
787	Golden West Finl	1.2	420.2 (49)	33.0 (45)	4830.2 (2)
788	Tucson Electric Pwr	1.1	280.1 (89)	51.1 (20)	973.7 (119)
789	Tandem Computers	1.1	98.4 (410)	9.6 (259)	86.4 (463)
790	Dorchester Gas	1.0	584.2 (24)	33.5 (43)	322.7 (307)
791	Apple Computer	1.0	115.4 (320)	11.5 (214)	64.4 (549)
792	Old Stone	1.0	160.0 (213)	11.2 (223)	1737.5 (44)
793	First Mississippi	1.0	249.7 (105)	21.8 (95)	243.4 (346)
794	Fidelity Financial	0.9	313.5 (79)	−1.5 (806)	3169.6 (13)
795	Liberty National	0.9	190.2 (161)	12.0 (205)	1975.2 (34)
796	Whitney Holding	0.8	208.7 (139)	31.0 (51)	2135.1 (31)
797	Western Financial	0.8	213.1 (133)	3.8 (561)	2362.6 (22)
798	Fin Corp of America	0.8	223.0 (125)	15.8 (159)	2224.0 (28)
799	Tom Brown	0.8	95.2 (433)	6.4 (401)	170.8 (369)
800	Amer Savings & Loan	0.8	244.9 (108)	6.0 (421)	2537.3 (21)
801	TRANSOHIO Financial	0.7	246.8 (107)	3.8 (561)	2690.0 (18)
802	No Calif Savings	0.7	263.8 (98)	5.0 (486)	2656.1 (20)
803	Fin Cp Santa Barbara	0.7	252.9 (104)	0.5 (784)	2711.5 (16)
804	Broadview Financial	0.7	240.8 (112)	−3.1 (808)	2689.0 (19)
805	Inexco Oil	0.7	222.1 (126)	34.2 (40)	825.8 (158)
806	Cray Research	0.7	93.2 (449)	16.7 (146)	160.3 (375)
807	Mesa Petroleum	0.7	504.3 (30)	146.3 (2)	2191.8 (29)
808	Financial Federation	0.6	375.7 (58)	4.8 (498)	3884.5 (8)
809	Energy Reserves Gp	0.6	267.7 (95)	25.4 (74)	465.5 (248)
810	Southland Royalty	0.5	704.9 (21)	119.8 (4)	1178.8 (87)
811	Adobe Oil & Gas	0.4	406.3 (53)	56.4 (17)	731.4 (183)
812	Amer Quasar Petroleum	0.3	138.3 (254)	15.2 (165)	646.8 (197)
813	Sabine	0.3	373.8 (59)	78.6 (8)	760.1 (174)
814	Delhi Intl Oil	0.3	104.4 (368)	18.4 (121)	325.0 (306)
815	Pogo Producing	0.2	1343.9 (4)	329.5 (1)	3374.5 (10)
816	Supron Energy	0.1	470.0 (36)	142.5 (3)	1099.4 (98)
817	Felmont Oil	0.1	482.3 (34)	117.1 (5)	1033.4 (106)
818	McRae Consol Oil&Gas	0.1	1594.2 (3)	104.9 (6)	1246.8 (72)

Statistical Spotlight

Since 1978 FORBES has run lists of companies expected to have the best earnings gains. Our April 1980 list outperformed all of the market averages by a wide margin.

Will history repeat itself?

By Steve Kichen

IMPERFECT THOUGH THEY may be, earnings estimates have tremendous influence on Wall Street. The research professionals who earn six-figure salaries, and the figures they crank out can alert investors to potentially undervalued or overvalued situations. Beyond that, plenty of fortunes have also been made by taking a contrarian position and betting against the experts.

If a single earnings prediction is useful, however, shouldn't a consensus estimate—reflecting the combined thinking of several analysts—be even better? After all, it was teamwork that built the space shuttle. And the Edsel.

So, regardless of how you want to use it, here is FORBES' fourth annual ranking of companies that the pros predict will post the greatest earnings gains over the coming year. We get our material from Lynch, Jones & Ryan's Institutional Brokers Estimate System (IBES), which gathers over 14,000 estimates from hundreds of analysts and reports consensus estimates on over 2,200 companies.

Of the 100 companies on last year's list, 18 finished the period within 5% of the IBES estimates. A total of 30 companies came within 10%, and slightly over half came within 25%. On the other hand, 20% of the estimates were off by more than half. Previous lists have shown similar results. The prognostica-

The golden ones

Ninety companies that institutional analysts predict will enjoy an earnings gain of better than 45% this year.

	Company[1]	Recent stock price	1980 earnings per share[2]	Average of estimates for 1981 earnings[2]	Increase from 1980 to 1981	P/E based on 1981 estimates	Number of estimates	Variation in estimates[3]
	Wickes Cos	16½	$0.50	$2.91	481.9%	5.7	4	38.8%
	Kaiser Steel	44⅝	1.10	5.24	376.4	8.5	3	14.4
	Springs Mills	22⅛	1.20	3.89	224.0	5.7	4	6.7
	Inland Steel	33¾	1.38	4.27	209.4	7.9	12	14.4
(a)	Applied Data Research	20¾	0.64	1.80	181.2	11.5	3	14.7
	Arvin Industries	16⅝	0.84[4]	2.32[4]	177.0	7.2	4	10.2
	Ponderosa Systems	12⅞	0.60	1.65	175.0	7.8	5	11.1
	Triangle Pacific	20⅛	0.74	2.00	170.3	10.1	3	25.0
(a)	Texas Air	14¼	0.64	1.68	163.2	8.5	6	31.3
(o)	Coherent	26¾	0.65	1.71	163.1	15.6	5	4.8
	Easco	23¼	0.97[4]	2.43[4]	150.5	9.6	5	13.6
	Echlin Manufacturing	13⅞	0.55	1.33	141.3	10.5	13	12.2
	Amstar	25¼	3.32	7.82	135.6	3.2	5	6.5
(o)	Magnuson Computer Systems	27½	0.54	1.26	133.8	21.8	4	20.8
	Standard Motor Products	22⅞	1.11	2.57	131.7	8.9	7	10.0
	Allegheny Ludlum Industries	48½	4.11	8.98	118.5	5.4	4	22.1
	Lockheed	27¾	1.50[4]	3.27[4]	118.0	8.5	12	12.1
	Shaklee	28	1.92	4.17	117.0	6.7	3	3.5
	Brunswick	18	1.01	2.19	116.9	8.2	9	16.8
	National Steel	29⅛	1.65	3.53	114.4	8.2	12	19.4
	Equitable Life Mtg, Rlty Inv	12¼	0.55	1.17	113.6	10.4	4	18.9
	Peabody International	7⅜	1.66	3.54	113.1	2.1	4	8.7
	Cessna Aircraft	31⅞	1.50[4]	3.19[4]	112.4	10.0	8	6.5
	Tyler Corp	26⅛	1.41	2.91	106.6	9.0	8	5.9
	Farah Manufacturing	12⅜	0.62	1.27	104.3	9.8	3	36.5
	Textron	34¾	2.30	4.67	103.1	7.4	7	5.9
	SEDCO	39½	1.08	2.20	102.4	18.0	16	11.5
	Raymond International	23¾	1.21[4]	2.39[4]	97.5	9.9	5	10.9
(o)	Magma Power	50½	0.89	1.75	96.6	28.9	3	0
	Seagram Co	55⅛	3.67	7.17	95.3	7.7	5	8.8
(a)	Amdahl	38¾	0.80	1.55	94.0	25.0	15	17.7
	San Diego Gas & Electric	12	1.01	1.96	93.7	6.1	8	5.5
	PSA	34⅞	3.58	6.93	93.5	5.0	7	11.1
(a)	RG Barry	9	0.62	1.18	90.9	7.6	3	6.5
	First Chicago	16⅜	1.34	2.55	90.7	6.4	21	14.3

[1] All companies listed on the New York Stock Exchange except those labeled (a) American Stock Exchange, (o) over-the-counter market. [2] For fiscal years ending June through May of the following year. [3] Percentage range around the average in which about two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. [4] Fully diluted earnings per share. E: Estimate.

Statistical Spotlight

tors aren't perfect—but their predictions are often remarkably close.

Last year's list, however, was even more noteworthy for its price performance. Although previous IBES selections have generally outperformed the market, this one left just about everyone else in the dust. Had you put $1,000 in each of the 100 stocks in Forbes' Golden Ones III *(Apr 28, 1980)*, your $100,000 investment would be worth nearly $180,000 today—excluding dividends. Only 4 stocks out of 100 declined in value. The biggest winners: Tandem Computers, up 283%, and Computervision, up 272%.

Here are 90 stocks that current IBES consensus figures indicate will show earnings gains of more than 45% in 1981. Will this list do as well as the last? If only we could predict the future.

	Company[1]	Recent stock price	1980 earnings per share[2]	Average of estimates for 1981 earnings[2]	Increase from 1980 to 1981	P/E based on 1981 estimates	Number of estimates	Variation in estimates[3]
	General Tire & Rubber	25⅛	$1.65	$3.12	89.7%	8.0	9	27.0%
	Transway International	29¾	2.62	4.82	84.0	6.2	6	8.4
	AE Staley Manufacturing	24⅝	3.51	6.42	82.8	3.8	11	11.3
(o)	Tandem Computers	84¾	1.06	1.91	80.3	44.4	14	8.3
	Macmillan	17	0.75	1.34	78.3	12.7	4	13.1
(o)	Bohemia	27¼	2.62E	4.67	78.1	5.9	3	22.3
	Simmonds Precision Products	17	1.16	2.05	77.5	8.3	5	7.2
	E-Systems	45⅝	1.87	3.29	76.0	13.9	5	16.5
	M Lowenstein	19⅛	1.14	2.00	75.0	9.6	3	0
	Overhead Door	13¼	0.82	1.43	74.8	9.2	3	4.0
	Oscar Mayer	28½	1.38	2.41	74.5	11.8	6	14.5
	Penn Central	45¼	2.72	4.71	73.0	9.6	3	30.9
	Texas International Co	38	0.81	1.39	72.[illegible]	27.3	4	13.0
(o)	Limited Stores	12½	0.62	1.06	71.4	11.8	4	8.9
(o)	May Petroleum	33½	0.80	1.37	71.2	24.5	5	18.4
(a)	Petro-Lewis	21¼	1.09	1.87	70.5	11.4	3	12.4
(o)	Tom Brown	46⅜	0.61E	1.04	70.4	44.5	6	31.9
	Redman Industries	11½	0.71E	1.21	70.2	9.5	6	20.2
	Nevada Power	18⅞	1.58	2.68	69.8	7.0	6	4.2
(o)	Triad Systems	38	0.80	1.34	67.5	28.4	5	12.2
	McDonnell Douglas	42	3.15	5.27	67.3	8.0	14	6.2
	Rubbermaid	32½	1.84	3.06	66.4	10.6	9	5.6
	First Mississippi	23¾	0.98	1.63	65.9	14.5	7	4.1
	Hoover Universal	21¼	1.90	3.15	65.8	6.7	5	8.5
(o)	McCormick & Co	19¼	1.31	2.15	64.1	9.0	3	4.0
	Delta Air Lines	72¼	4.69	7.65	63.2	9.5	13	6.3
	Data Terminal Systems	13⅛	0.53E	0.86	62.7	15.3	5	25.5
	Parker Drilling	29⅝	1.52[4]	2.47[4]	61.8	11.8	17	4.7
	Wainoco Oil	27	0.71	1.15	61.5	23.6	4	16.7
	Tandycrafts	10⅝	0.59	0.95	61.0	11.2	6	5.8
(o)	CPT	50¼	1.36	2.19	60.9	23.2	8	7.9
	McDermott	35¼	2.25[4]E	3.57[4]	58.4	10.0	13	10.4
	James River	28½	2.68E	4.24	58.1	6.7	4	17.4
	GDV	14½	1.82	2.87	57.5	5.1	3	4.4
(a)	Flow General	33⅝	0.67[4]	1.05[4]	57.5	32.0	5	4.8
	Savannah Electric & Power	9⅝	1.22	1.90	55.7	5.1	3	5.3
	Harnischfeger	16⅛	0.53	0.82	55.7	19.5	4	14.4
	Zapata	27⅝	2.18	3.40	55.6	8.1	9	10.8
	Commodore International	34⅛	1.56	2.42	55.5	14.2	4	2.1
	Champion Spark Plug	10⅞	0.96	1.49	54.9	7.3	8	13.4
(o)	Simpson Industries	13	0.84	1.30	54.8	10.0	5	11.2
	Purolator	56¾	3.03	4.68	54.5	12.1	5	7.8
	Sealed Power	29¼	2.45	3.78	54.2	7.7	7	17.3
(o)	Applicon	36½	1.00E	1.53	53.4	23.9	8	11.5
	Western Co of North America	51¼	2.48	3.78	52.2	13.6	16	8.3
(a)	Crutcher Resources	26	1.42	2.16	52.1	12.0	5	7.6
	Modular Computer Systems	14	0.79[4]	1.19[4]	51.1	11.7	8	30.7
	Denny's	30	1.95	2.94	50.8	10.2	14	3.8
	Gearhart Industries	42¼	1.84	2.77	50.7	15.2	10	12.9
	BankAmerica Realty Investors	25¾	1.44	2.17	50.5	11.9	3	16.7
	Archer-Daniels-Midland	17⅜	2.03	3.05	50.2	5.7	15	5.2
	Consolidated Freightways	37¼	3.20[4]	4.80[4]	50.1	7.9	13	7.8
	McGraw Edison	45¼	3.12	4.66	49.3	9.7	11	7.3
(a)	Paradyne	43	0.74	1.10	49.1	39.0	8	6.7
	Monsanto	71⅞	7.04	10.50	49.1	6.8	21	9.7

[1] All companies listed on the New York Stock Exchange except those labeled (a) American Stock Exchange, (o) over-the-counter market. [2] For fiscal years ending June through May of the following year. [3] Percentage range around the average in which about two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. [4] Fully diluted earnings per share. E: Estimate.

Source: Institutional Brokers Estimate System, Lynch, Jones & Ryan

MAY 25, 1981 TWO DOLLARS FIFTY CENTS

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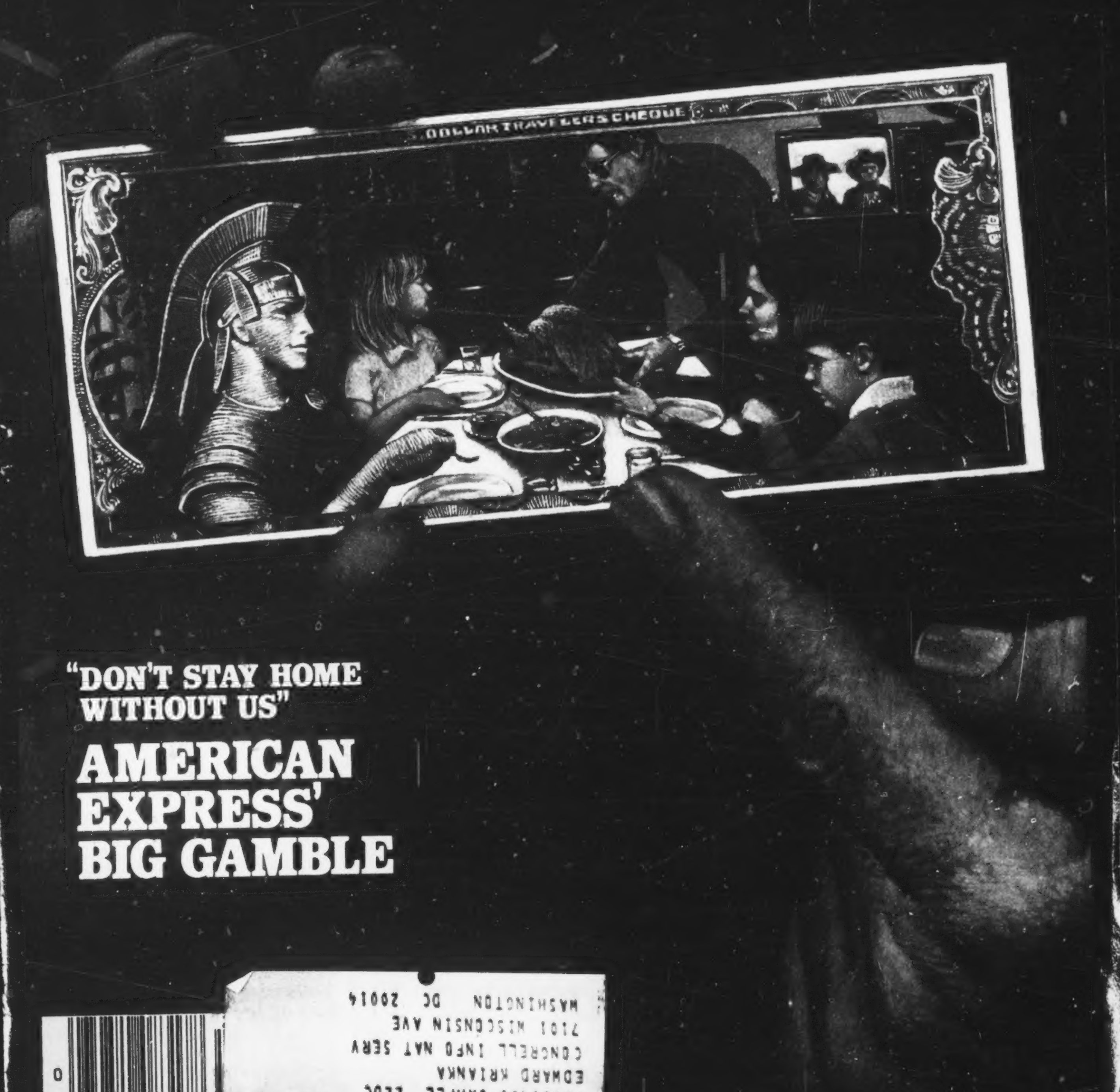
Forbes



"DON'T STAY HOME WITHOUT US"

AMERICAN EXPRESS' BIG GAMBLE

0 74820 08317

T2511430 SAMPLE 22DC
EDWARD KRIANKA
CONGRELL INFO NAT SERV
7101 WISCONSIN AVE
WASHINGTON DC 20014

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Forbes

May 25, 1981
Volume 127, Number 11

100 Cover Story: "In the future," says Jim Robinson of American Express, "our motto could be: 'Don't stay home without us.' "

34 General Motors: The new strategy is the old master's game plan, slightly modified.

75 Blank Tapes: Why Jessica Epstein—and millions of other young people—are no longer every record executive's dream.

84 The Up-And-Comers: Hasbro Industries started straightening out the day Steve Hassenfeld decided it was the company, not the industry, that was the problem.

Features

The Bond Market: A Turning Point?
Bond yields have far outstripped inflation. Maybe someone will notice soon. 31

Savings And Loans: Enough Is Enough
Fed up with political decisions that make no economic sense, California's S&Ls are fleeing state regulation in favor of national charters. 32

Government Pensions: This Year Is Different
Mission Impossible just might succeed. 33

Companies: General Motors
"We're mean and lean and tough and running fast," says Chairman Roger Smith. Is that just Detroit's chronic optimism talking? Maybe—but GM also has a strategy, one right out of Alfred Sloan's book. 34

Auto Imports: Less Than Meets The Eye
Will Japan really cut back? Not by much. 38

As I See It: Peter Drucker
If we can't easily compete with the Japanese, he says, Wall Street must shoulder much of the blame. 42

The Skin Care Industry: Vanity And Big Profits
An old pitch booms anew on the graying of America. 47

Energy: Garbage In, Garbage Out?
A new—but perhaps unnecessarily complex—way of financing trash-to-energy plants. 50

Companies: Stanadyne
Paul Mongerson's company has been around since 1876 and recently became a major GM supplier. But Mongerson isn't ruffled. He just quit making horseshoe nails. 54

Blank Tapes: Fast-Forward
Taping music from a phonograph or radio for *personal* use isn't against the law, and today's technology makes it cheaper than buying a record. That's why blank tape sales have tripled since 1973 and are still climbing. 75

Motion Pictures: Cinema Verité In Big D
With Dallas in the lead, Texas has become the largest regional film center in the U.S. 78

Fashion: Haute Couture's Low-Cost Producer
Statuesque Kim Dawson started a business where none existed before. 80

The Up-And-Comers: Hasbro Industries, Inc.
Only after the rest of the industry had written his company off did Steve Hassenfeld come to grips with it. 84

Companies: Brown-Forman Distillers
The house that Jack Daniel's built. 92

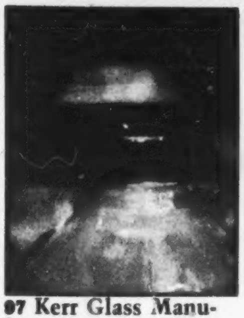
Companies: Kerr Glass Manufacturing Corp.
While other bottlemakers are hedging their bets, Bill Kerr has poured nearly $149 million into his glassmaking operations. The glass bottle, he says, is coming back. 97

Cover Story: The New American Express
You don't always get synergy when you put two successful but disparate organizations together; sometimes you get disaster. The merger of American Express and Wall Street's Shearson Loeb Rhoades Inc. is either going to be a beautiful piece of synergy or a $1 billion disaster. 100

Companies: A.C. Nielsen Co.
It's a massive data bank these days that pays far more attention to the supermarket than to the TV tube. 110

Companies: Akzona Inc.
Claude Ramsey has stuck with synthetic fibers as if he intended to be the last survivor. That, in fact, may be his trump card. 114

Companies: Springs Mills, Inc.
Getting out of the freezer. 115



97 Kerr Glass Manufacturing: "I think the glass industry fooled itself for years," says Bill Kerr.

114 Akzona, Inc.: Been down so long it looks like up from here.

135 Pitney Bowes: It's nice to have a near-monopoly business to fall back on when you're sailing into hazardous waters.

180 The Money Men: SAFECO's Bruce Robb—bonds are the base, but stocks are the turn-on.

Companies: Intellectics
Who knows an organization better, says this contrarian consulting firm, than its own people? 118

Companies: Pitney Bowes
"We're not putting Xerox out of business" by expanding in the copier business, says Fred T. Allen. He's not kidding about that; but, then, there are reasons he can afford to make haste slowly. 135

Taxing Matters: Some Help For The Little Guy
A clever new tax bill offers both a sweet break for investors and capital for the small businessman. 138

The Numbers Game: Zero Coupon Bonds
The only problem, it would seem, is who would buy them? As it turns out, pension funds may be happy to. 140

Faces Behind The Figures

Haruo Yamaguchi, *Nippon Telegraph & Telephone* 146
George Shultz, *Bechtel Group* 146
David M. Roderick, *U.S. Steel* 146
John Heimann, *ex-Comptroller of the Currency* 148
Joseph Flannery, *Uniroyal* 148
Karl D. Bays, *American Hospital Supply Corp.* 152
William F. Andrews, *Scovill Inc.* 152
John Bremridge, *Hong Kong Crown Colony* 153
T. Ludlow Ashley, *General Public Utilities* 154
Mark Meagher, *Penthouse International* 154

Personal Affairs

There's a clear lesson in the travail of the Washington *Post*: The manufacture of bogus academic credentials is a growing problem, from which no company or institution is immune. Also: tax-free dividends; ultralight airplanes; mobile homes; the silver lining in gold losses; alternative mortgages; and what you save at the self-service pump. 155

Money And Investments

What's Ahead For Business? 25

The Forbes Index 26

The Forbes/Wilshire 5000 Review 171

The Money Men: Bruce Robb Of SAFECO
"Some people call us bottom fishermen." 180

The Streetwalker: Ebullience In The Backwoods
An earnings bang coming in forest products? Also: why British investors are bullish on Mrs. Thatcher. 181

Statistical Spotlight: Power Play
There's life in those battered utilities stocks. 183

Columnists

Ben Weberman 166
Heinz H. Biel 168
John Train 172
Richard B. Hoey 173
Stanley W. Angrist 174
Ashby Bladen 176
Srully Blotnick 178

Departments

Side Lines........................6
Trends..............................8
Follow-Through 12
Readers Say 17
Fact and Comment 19
Other Comments 22
Editorial Index 186
Flashbacks 187
Thoughts..........................188

Photos: p. 6 top Granger Collection; bottom Tony Korody/Sygma; p. 8 François Lachon/Gamma Liaison; p. 12 Movie Star News; pp. 32, 146 Jim McHugh; p. 35 Jim Dunne; p. 38 Jean Pierre Laffont/Sygma; p. 42 Ken Rogers/Black Star; pp. 50, 54, 75, 84, 91, 148 center Bill Kelly; pp. 52, 104 Patrick Pagnano; p. 78 Les Wollam; p. 82 John Grossman; pp. 92, 138 William Strode/Woodfin Camp; p. 98 Steve Murray; pp. 101, 118 James Pozarik/Gamma Liaison; p. 102 Thomas Lea; pp. 110, 152 top Richard Faverty; p. 114 Dan Miller/Black Star; pp. 115, 117 Ron Chapple; p. 135 Werner Wolff/Black Star; p. 148 top Tom Barr/Black Star; p. 152 bottom Barry Rabinowitz; p. 153 John Moss/Black Star; p. 154 top Eric Poggenpohl; p. 154 bottom Robert Forbes; pp. 156, 158 Dave Gustafson; p. 180 Doug Wilson/Black Star

Illustrations: pp. 142, 182 Chas. B. Slackman; p. 155, Doris Ettlinger

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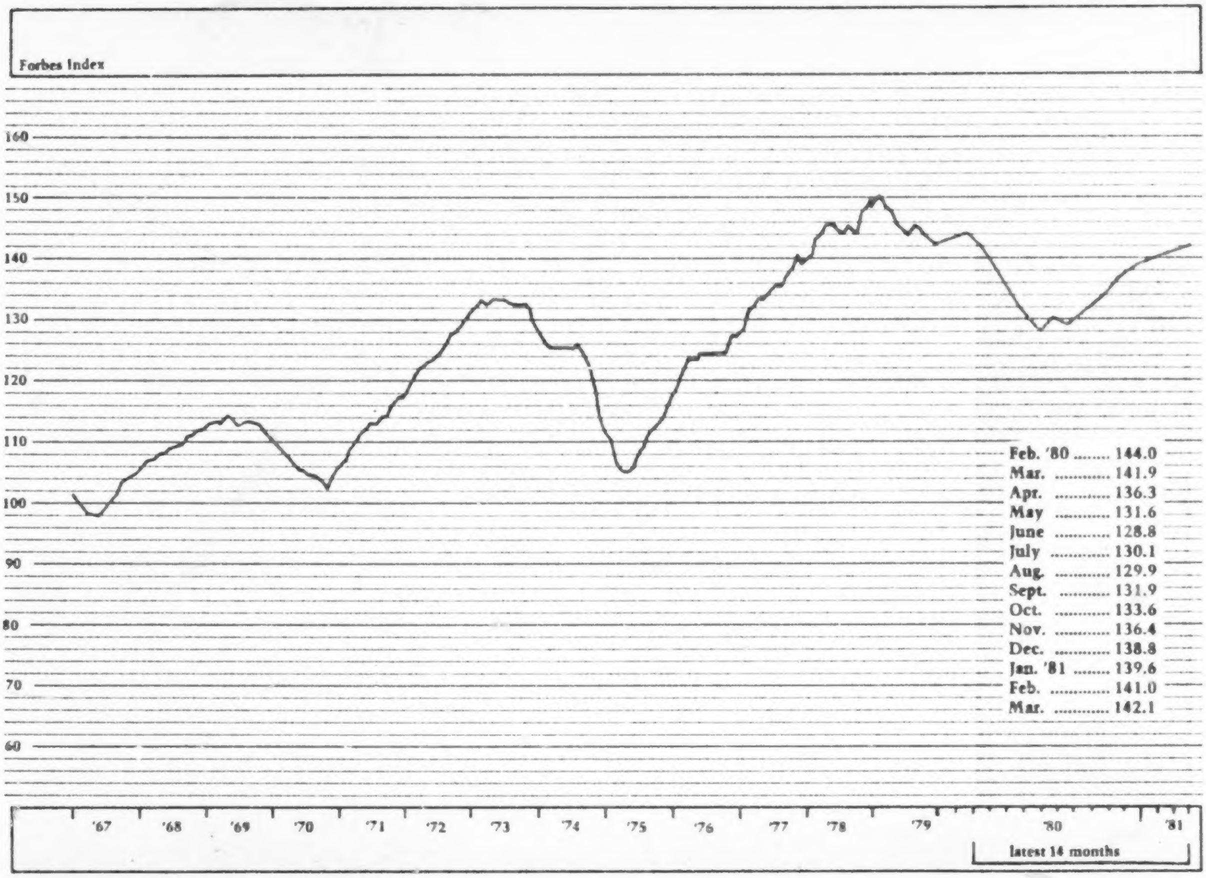
The Forbes Index



Feb. '80	144.0
Mar.	141.9
Apr.	136.3
May	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.6
Feb.	141.0
Mar.	142.1

The Forbes Index Components

The economy's last hurrah? This issue the Forbes Index is still climbing, but don't be surprised if there's a downturn soon. Much of the spring strength comes from housing starts, which were up smartly in March. With interest rates soaring, however, that surge is unlikely to continue. At the same time, unemployment claims are rising fast—an ominous portent.

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

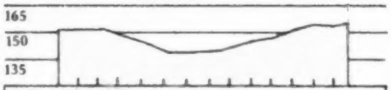
Total retail sales

New housing starts

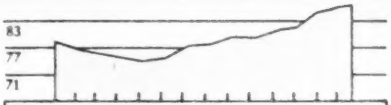
Personal income

The change in the amount of consumer-installment debt outstanding

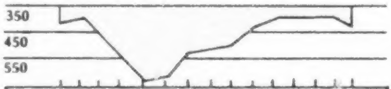
To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



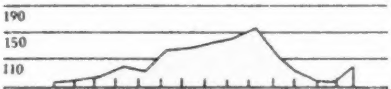
Industrial production index (1967=100)
seasonally adjusted (Federal Reserve)



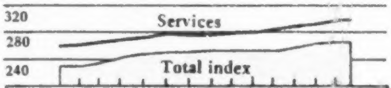
Retail store sales ($billions)
seasonally adjusted (Dept. of Commerce)



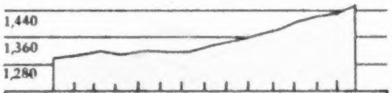
Unemployment claims (thousands)
seasonally adjusted (Dept. of Labor)



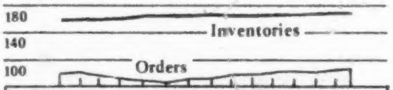
New housing starts (thousands)
privately owned, unadjusted (Dept. of Commerce)



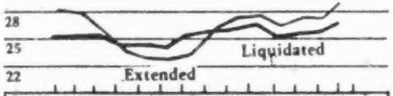
Consumer price indexes (1967=100)
all urban consumers, unadjusted (Dept. of Labor)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Manufacturers new orders and inventories
($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions)
total, seasonally adjusted (Federal Reserve)

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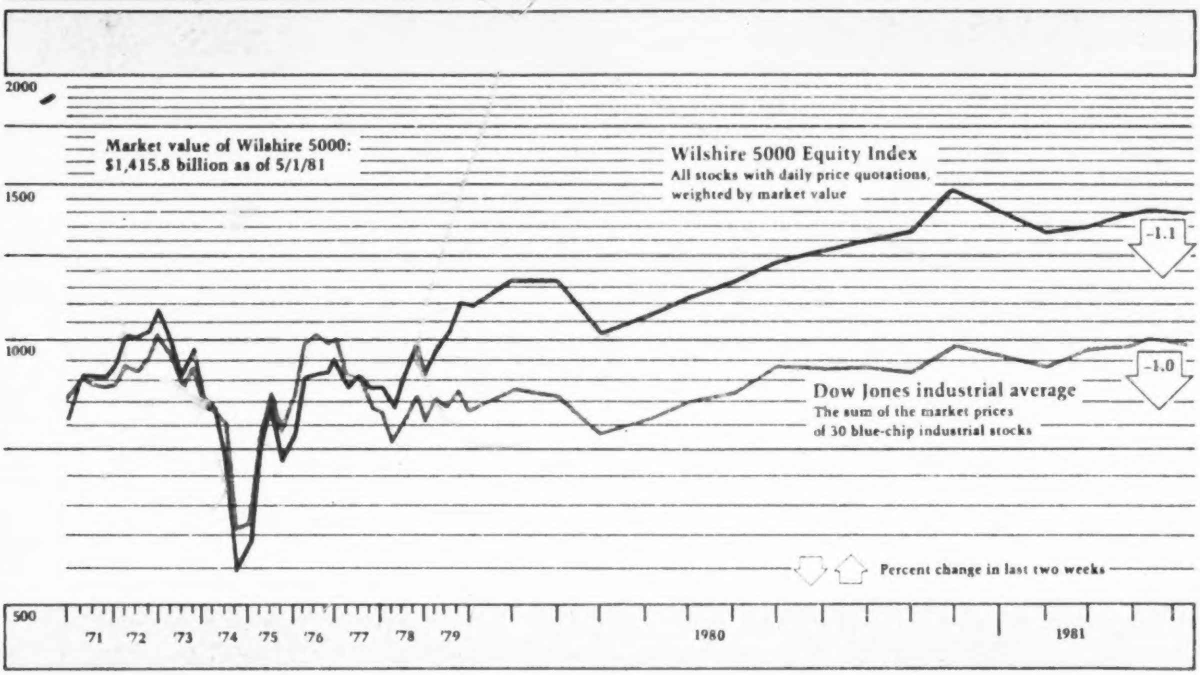
The Forbes/Wilshire 5000 Review



It's still a flip-flop market. One week, when traders hear a round of good news about inflation or interest rates, the averages surge ahead. Then, the second the headlines turn sour, a selling deluge hits. The message: Investors are confused; they change their minds with every wiggle of the economic indicators. Not an atmosphere likely to produce any solid price gains.

Over the past four weeks, both the Wilshire and the Dow have marked time. The only real advance came from NASDAQ stocks, which gained nearly 2% in value. The ASE, meanwhile, led all markets down—dropping by 3.5%. Over the longer term, however, the smaller stocks were clearly the place to be. Over-the-counter investments have increased in value by better than 50% during the past 52 weeks. That's twice the gain of a typical NYSE stock.

Still, for a dose of reassurance look at the 52-week performance figures broken down according to investor yardsticks. It has been a challenge to find a loser. High volatility, high P/E shares have nearly doubled. Nearly all other issues have moved up by 30% or more. Even stocks with fat dividends offered total returns of over 20%, when income and price appreciation are combined. How do you beat inflation? For the future, who knows. But over the past year, Wall Street was practically a sure thing.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	-1.1	-1.1	-1.8	-3.5	1.9
in last 52 weeks	30.6	22.8	27.8	39.8	54.5

Stock performance based on five key investor yardsticks

Percent change	Volatility *		P/E multiple		Dividend yield		Growth profile †		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	2.4	0.7	0.1	2.7	0.8	2.7	2.6	1.0	-0.6	4.0
in last 52 weeks	86.6	21.3	80.8	40.5	15.7	65.1	72.1	33.8	39.5	66.6

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 5/1/81. Prepared by Wilshire Associates, Santa Monica, Calif.

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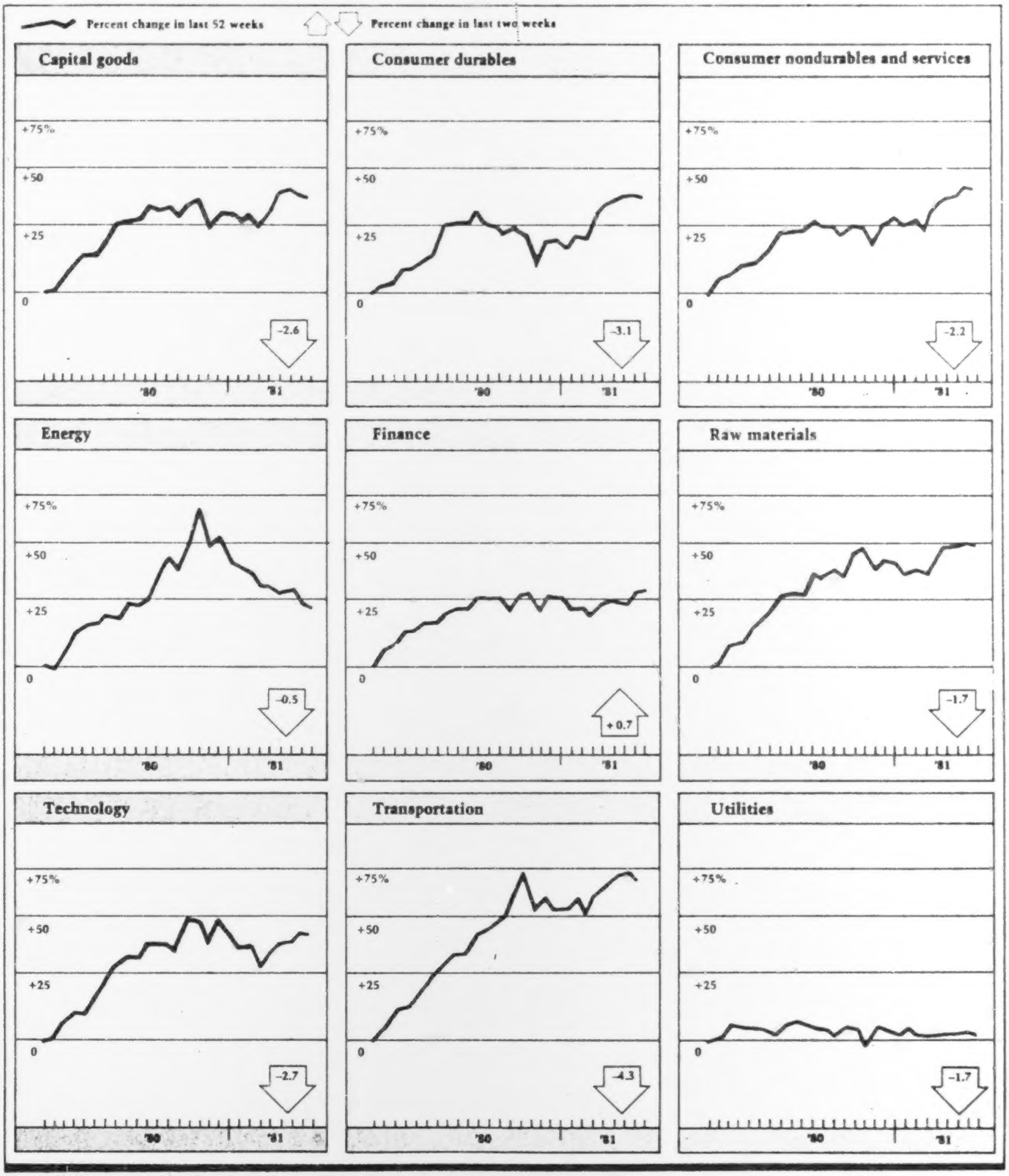
Where The Action Is

Don't ask your broker, buy his firm. Takeover fever hit the securities business—and that accounts for the only gain in a round of industry group figures dominated by profit-taking. Finance stocks were up just slightly, however, while several recent winners took a drubbing. Energy companies, though, did relatively well, and there are signs that their six-month decline may be ending.

Transportation stocks, for example, led the market down—and the graph of their performance over the past year leaves an ominous trail. Twice now, these companies have hit the line that marks 75% annual gains, and twice they have failed to advance further. On the plus side, however, the 50% gain line looks even more clearly like a trading bottom. So the graph marks tentative buy and sell levels.



Note: All data for periods ending 5/1/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Beaten, battered and boring, electric utilities have languished for years. But recently, some bulls have begun to rage on Wall Street.

Power play?

By Steve Kichen
and Newcomb Stillwell

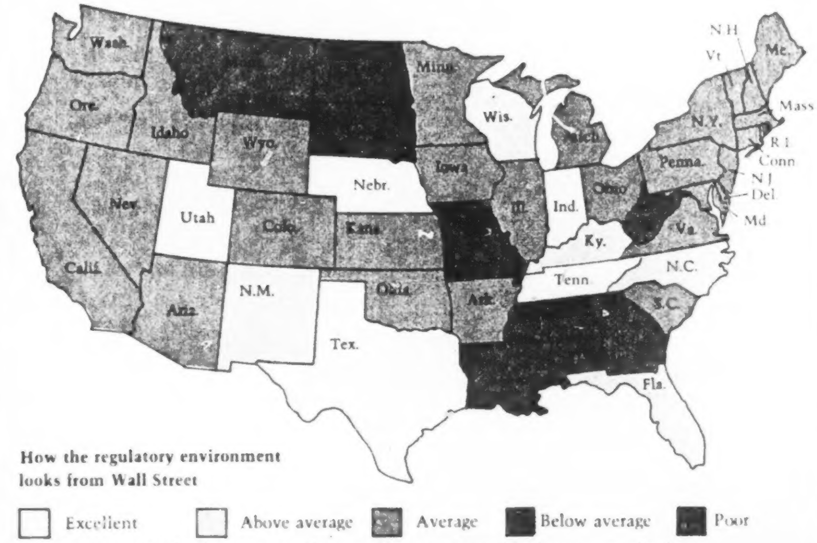
I HAVEN'T BEEN so aggressive since 1975," the man says, a little breathless. He is John Attalienti, senior utility analyst at Argus Research Corp., and it's not hard to understand his excitement. Squeezed by the cost push of inflation and the demand pull of politically motivated regulators, the electric utility companies he follows have been anything but healthy for a long, long time. And their slow-growing, high-yielding, interest-sensitive stocks have done even worse: As interest rates have ratcheted ever upward, electric utilities have traded down, down, down. . . .

But not any more, thinks Attalienti. The reason? Reaganomics means disinflation means lower interest rates. "We think long-term interest rates are headed on a substantial downward drift, starting in the very near future and continuing into 1982," he says. "That augurs well for utilities. Most are selling at 75% of book value, and we think they'll be back at book by the middle of 1982." That means a 33% *average* gain.

Yield, of course, is but another way of saying dividend, and utility stocks go up not only on falling interest rates but also on rising dividends. Attalienti sees some good news there, too; less inflation and lower interest rates, after all, are good news for any capital-intensive industry, and electric utilities are no exception. Another big boost comes from the regulators: who are beginning to understand numbers like those in the middle table on page 184, which shows what utility earnings really look like when adjusted for inflation's impact. As a result, they are beginning to realize that historical cost-based rate awards are rather less than adequate, so they are getting more generous with relief. Also, with demand slowing as a result of higher electricity prices, construction plans have been trimmed—good news, since the lower operating costs per kilowatt hour for a new plant are more than offset by higher construction and financing charges, so more capacity means tighter margins. And not just a little bit tighter, either: As the table at the top of page 184 shows, even some of the slowest-growing utilities do a fearsome amount of construction compared with industrials.

Rating the regulators

State utility commissions determine industry rates of return, so they can affect profits as much as supply and demand. That's why investors should watch election results and political appointments as closely as balance sheets.



How the regulatory environment looks from Wall Street

☐ Excellent ☐ Above average ▨ Average ■ Below average ■ Poor

Note: Tennessee and Nebraska are not rated because these states do not have investor-owned utilities.

Source: Salomon Brothers

"The less growth a utility has today, the better," says Attalienti. "More and more managements are getting it through their heads that there is an elastic relationship between price and demand. And as financial management becomes increasingly predominant over the engineering mind set, more and more are getting it through their heads that they'll have to live with less reserve capacity than in the past." He concludes: "Add it up and the bottom line is better dividends on better earnings and lower payout ratios, with some companies playing catch-up for dividend growth that has trailed inflation in the past." That means 33% *plus*.

So who to pick? As befits a sober utility analyst, Attalienti grows cautious. "Go with quality," he says, "companies that can weather a storm, as a hedge in case the scenario is wrong, even though you'd get a slightly better play in the initial stages of a utility rally with higher-yielding, lower-quality issues." By quality, he means companies like Florida Power & Light, Florida Power Corp., Northern States Power, Potomac Electric, Southern California Edison, Texas Utilities, Utah Power & Light and Wisconsin Electric Power, among others. That's a lot of companies, but then there are a lot of utilities.

And Attalienti, *mirabile dictu*, isn't alone. Almost as bullish, though a little chastened, is Daniele Seitz of Smith Barney. "We would have preferred the interest rate decline not to have been interrupted," she says, "but our fundamental outlook hasn't changed." She also agrees with Attalienti on the prospect of robust dividend growth on stronger fundamentals, which she feels will prolong a

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recent, anomalous development: The average utility stock yield is now below that of long-term government bonds; traditionally, the reverse was the case.

"The prospect of better earnings and dividends means that this relationship will continue for at least a year," she says. On whom to choose she parts company, though. Seitz has an eye for the high yielders, which look very cheap. The spread between the highest and lowest utility yields has widened on the strength of the higher-quality issues and is currently over 3%, very high by historical standards. "The spread is going to be corrected, once we get a slight decline in interest rates," she says. Among the stocks to buy: Allegheny Power, Baltimore Gas & Electric, Commonwealth Edison, Minnesota Power & Light, Philadelphia Electric and Toledo Edison. Strong companies, she thinks, and at an average of 13.5%, high yielders indeed.

And likely to stay that way, if you believe Mark Luftig of Salomon Brothers. "There are two kinds of people out there," he says of his competitors, "those who think rates have peaked, and those who see companies over the hump on construction, with improving fundamentals. We don't see rates coming down, and we think talk of better fundamentals is premature." All this Kaufmanesque gloom is not to say that there isn't money to be made in utilities, however: By trading selected issues identified by Salomon's computer model, Luftig claims his institutional clients have been posting gains of up to 20% a year. Right now he likes Boston Edison, Central Illinois Light, Indianapolis Power & Light, New England Gas & Electric, Northern Indiana Public Service, all of which are at least 5% cheaper than the computer says they should be.

Admittedly, that is not a game a man paying retail commissions can profitably play. Thus, for the long-suffering individual investor Luftig has another idea: companies paying return of capital dividends, some of which, like those listed in the table at the bottom of this page, are taxable solely as capital gains. "Someone in the 50% tax bracket can get the after-tax equivalent of a bond yielding 20%-plus," he says. "If you borrow the money and deduct the interest, you have an arbitrage an individual can take advantage of." Risky? "Return of capital is a sign of weakness, sure, but there is no question that most of these companies will keep paying dividends." Particularly interesting, he thinks, are Long Island Lighting Co., Middle South Utilities, New York State Electric & Gas, Niagara Mohawk, Pennsylvania Power & Light and Virginia Electric & Power Co.

Furthermore, if you've a mind to spec-

Utility stocks: a consumer's guide

Who's growing, who's shrinking

Time was when high-growth companies were Wall Street favorites—but not so today. Booming kilowatt-hour demand means lots of expensive construction and the need for frequent rate hikes. So many analysts favor slow-growth utilities with healthy reserve capacity already in place.

Company	Total kwh sales change 1979-80	Reserve margin 1980[1]	Construction 1980-82 as % of total capitalization[2]	Recent price	Indicated yield
Increases					
Central & South West	9.1%	24.3%	66%	13¾	11.5%
Public Service Co of NM	8.9	18.3	71	22⅛	12.1
Southwestern Public Service	8.5	24.5	45	11⅝	11.9
Texas Utilities	8.1	38.3	43	18⅝	10.1
The Southern Co	7.5	21.2	46	11½	14.1
Decreases					
Northern Ind Public Service	−7.6%	38.8%	69%	10⅞	13.8%
Detroit Edison	−7.2	27.3	55	11½	13.9
Cleveland Electric Illuminating	−4.6	39.2	40	14⅜	14.5
Toledo Edison	−4.2	34.4	40	16	14.3
Nevada Power	−3.2	18.5	81	18⅞	12.9

[1] Reserve margin shows the relationship between spare generating capacity and peak load demand.
[2] Data from Argus Research Corp.

Who's hurt least by inflation

Rising prices ravage capital-intensive utilities, as this analysis of current-cost earnings indicates. For only a few firms does the ratio of inflation-adjusted profits to reported income top 50%; the great bulk of utilities have little real earnings at all. And, at the bottom of the list, deficits are massive.

Company	1980 EPS reported EPS	1980 EPS current cost	Current-cost EPS as % of reported EPS	Price/current-cost EPS	Indicated yield
Best					
Iowa-Illinois Gas & Electric	$2.69	$2.18	81.0%	7.3	13.8%
Public Service Co of NM	3.36	2.25	67.0	9.8	12.1
Central Louisiana Energy	3.95	2.63	66.6	16.2	2.8
Toledo Edison	2.56	1.66	64.8	9.6	14.3
Long Island Lighting	2.53	1.40	55.3	10.2	13.1
Worst					
General Public Utilities	$0.34	d$ 2.37	NM	d	—
Kentucky Utilities	1.51	d 2.35	NM	d	14.0%
Florida Power & Light	3.94	d 3.35	NM	d	10.8
Central Maine Power	1.67	d 1.15	NM	d	14.5
Savannah Electric & Power	1.22	d 1.76	NM	d	12.3

NM: Not meaningful. d: deficit.

Who's paying tax-free dividends

Tax and income accounting differences made these companies' entire 1980 dividends a return of capital—and thus free from income tax. Still, the benefit stems from heavy construction spending, which may cause problems later. What's more, some payouts in 1981 could be taxable.

Company	S&P's stock ranking	Recent price	Indicated dividend	Indicated yield
Cleveland Electric Illuminating	A–	14⅜	$2.08	14.5%
Detroit Edison	B+	11½	1.60	13.9
Long Island Lighting	A–	14¼	1.86	13.1
NY State Electric & Gas	A–	14⅝	1.88	12.9
Ohio Edison	B+	12⅛	1.76	14.5
Pennsylvania Power & Light	A–	17⅛	$2.24	13.1%
Public Service of NH	A–	15	2.12	14.1
Rochester Gas & Electric	A–	12¾	1.52	11.9
Toledo Edison	A–	16	2.28	14.3
Virginia Electric & Power	A–	11½	1.40	12.2

Sources: Standard & Poor's; Merrill Lynch; Duff and Phelps, Inc.; FORBES.

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ulate, Luftig suggests GPU, which has languished while the politicians try to do something about Three Mile Island. "I wouldn't recommend it for a fiduciary," says Luftig, "but I see a movement in Washington and at other utilities to help them somehow. There's a vague glimmer of light at the end of the tunnel, and with any luck it won't turn out to be a gorilla with a flashlight."

Considerably less sanguine is S. Arlene Barnes of First Boston. She worries that GPU could get squeezed this summer, if a continuing coal strike limits its ability to buy power from other utilities and is dubious of the prospects for any early bailout. She's unenthusiastic, as well, about return of capital dividends, citing the costs and hassles for many investors of keeping tax returns open for the three years it usually takes the IRS to audit the utility paying them. "And you have to be very nimble on your feet," she says, "because an unexpectedly good year can make a return of capital dividend fully taxable very quickly."

Barnes is even gloomier on the prospects of the industry as a whole, which, she notes, ended the first quarter with very high levels of short-term debt. And with many utilities already seriously overburdened with long-term debt—some with frighteningly low interest expense coverage—the urge to refund that short debt with equity could prove irresistible on any stock price improvement. "The pressure of new common issues," she says, "could stymie any effort at a sustained rally, if in fact, which we do not expect, there is a decline in interest rates."

She worries, too, that AA utility bonds currently yield more than utility stocks, a situation likely to be corrected on any improvement in rates. "That means you are likely to get better performance with bonds," says Barnes. She does, however, think that a few utility issues are currently underpriced: Cincinnati Gas & Electric, Pennsylvania Power & Light, South Carolina Electric & Gas, and a couple of others she can't talk about because First Boston will shortly be underwriting securities for them. Consider: If a grimster such as Barnes likes them, they might well be real stars.

There are other stars, too, according to Leonard Hyman of Merrill Lynch. To wit: Central Illinois Light, Central Illinois Public Service, Delmarva Power & Light and Madison Gas & Electric, all much stronger, he thinks, than their high yields imply.

"The market," says Hyman, "is not distinguishing between companies with high yields and decent prospects and companies with just high yields." With the exception of stocks like these whose yields are out of line with their prospects, he doesn't see much to recommend utility stocks at the moment. "If rates go down, you'll probably do better with bonds," says Hyman, sounding older and wiser. "Frankly, I'm not sure what to think about interest rates anymore, and I'm not sure I believe what anyone else says." Now there is a man you can identify with.

Shocking diversity

While it's true that one horse does not a horse race make, current opinion among Wall Street utility analysts resembles nothing so much as this year's Kentucky Derby: a lot of entries and not much consensus—on interest rates, the best-priced stocks, even perhaps the time of day. Herewith a list of utilities in favor now. It includes quick-starters, some come-from-behinds and a long shot or two. As the bookies say, you pays your money and you takes your choice.

Company	Recent price	Earnings per share 1980	Current-cost EPS as % of reported EPS	Total kwh sales change 1976-80	Change in dividends 1976-80[1]	Indicated yield	Payout ratio	Book value per share	Pretax fixed charge coverage[2]	Regulatory environment[3]
Allegheny Power	14⅜	$2.59	NM	19.6%	11%	13.6%	75.7%	$21.07	2.7	C–
Baltimore Gas & Electric	22⅛	3.64	0.8%	16.7	20	11.6	70.3	30.79	3.3	C
Boston Edison	20¼	3.75	NM	9.3	11	13.8	74.7	31.01	2.3	NA
Central & South West	13¾	2.45	8.2	30.8	25	11.5	64.5	17.04	3.5	B–
Central Illinois Light	13¼	2.00	NM	17.5	6	13.7	91.0	18.26	3.3	C
Central Illinois Public Service	10⅝	1.54	NM	12.9	10	13.6	93.5	13.80	3.1	C
Cincinnati Gas & Electric	15	2.25	5.3	16.8	23	13.6	90.7	19.94	2.5	C+
Commonwealth Edison	18⅝	2.97	45.8	6.7	9	14.0	87.5	26.72	1.9	C
Consolidated Edison	28⅛	4.67	NM	12.0	68	10.5	63.4	45.23	3.7	C
Delmarva Power & Light	11⅜	1.60	NM	12.0	23	13.4	95.0	15.74	1.9	C+
Florida Power	14¼	1.66	NM	26.9	46	11.5	98.8	18.07	2.7	B+
Florida Power & Light	28¼	3.94	NM	28.0	69	10.8	77.2	34.95	2.7	B+
Houston Industries	27½	4.71	40.3	34.0	66	10.8	62.8	35.14	3.5	A
Indianapolis Power & Light	19⅛	3.68	29.3	11.4	21	12.5	65.2	24.83	3.8	A
Madison Gas & Electric	12⅞	2.21	5.0	36.7	35	13.4	77.8	19.56	4.1	B
Minnesota Power & Light	16½	2.55	13.7	53.6	23	12.8	83.1	27.95	2.9	C+
New England Electric System	21¼	3.50	NM	2.9	28	11.8	71.4	27.10	3.2	C+
New England Gas & Electric	14¼	3.01	NM	–9.8	27	13.2	62.5	20.65	3.3	C
Northern Ind Public Service	10⅞	1.47	NM	2.9	7	13.8	102.0	17.11	2.5	A
Northern States Power	22⅞	3.23	NM	14.1	21	10.6	74.9	28.17	3.8	C+
Pennsylvania Power & Light	17⅛	2.64	23.1	10.5	17	13.1	84.8	24.54	2.1	C–
Philadelphia Electric	12½	2.00	1.0	5.1	10	14.4	90.0	18.64	2.1	C–
Potomac Electric Power	13⅝	2.10	9.5	15.5	26	11.7	76.2	17.00	3.4	C–
South Carolina Electric & Gas	13½	2.02	nil	14.5	15	13.5	90.1	18.29	2.2	C+
Southern California Edison	25⅝	3.50	NM	11.6	65	11.6	84.6	32.90	2.0	C+
Southern Indiana G&E	17⅝	3.43	NM	26.9	38	10.7	54.8	23.37	5.6	A
TECO Energy[4]	19⅛	3.12	11.2	20.2	39	9.0	55.1	19.61	4.1	B+
Texas Utilities	18⅝	3.18	34.6	32.0	33	10.1	59.1	21.60	3.3	NA
Utah Power & Light	16⅜	2.35	45.5	24.7	45	12.2	85.1	18.48	3.1	B+
Wisconsin Electric Power	23⅛	3.53	NM	9.7	26	11.6	75.9	32.53	2.9	B

[1] Source: TE Desmond Co. [2] Principal source: Argus Research Corp. [3] Source: Salomon Brothers. [4] Parent of Tampa Electric. NA: Not available. NM: Not meaningful. nil: negligible.

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PUBLICATION HAVE BEEN FILMED

Cover 1, p. 2-3, 26, 94, 96,
114-118, 121-124, 126, 130-
132, 134, 138, 140, 144, 146,
171-172, 184, 189-191.

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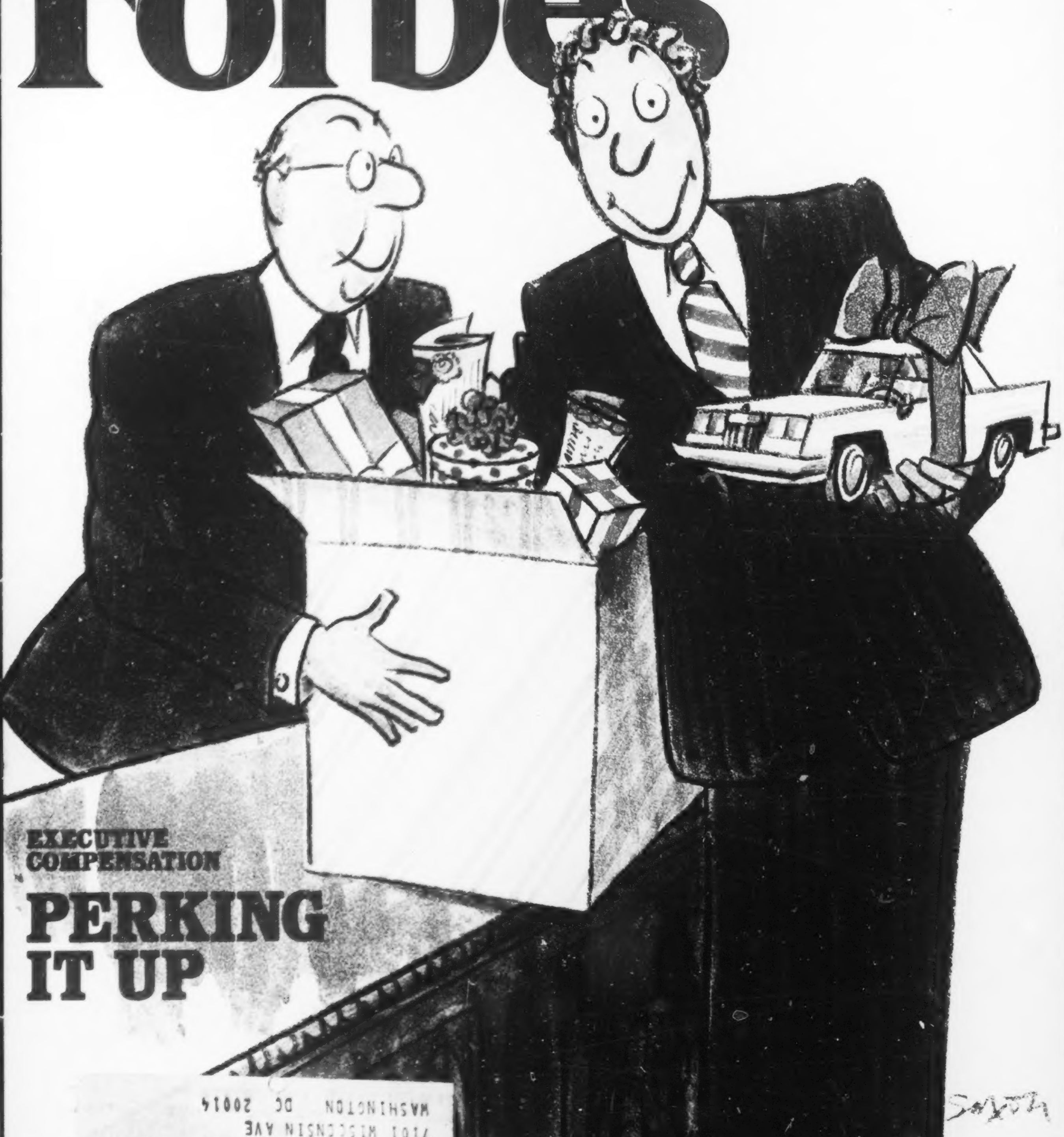

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Forbes

June 8, 1981
Volume 127,
Number 12

107 Cover Story: The perks that irritate the public may be fading, but the ones that really matter are on the upswing.

38 There are more than facts and figures to a decision on military weaponry—always.

44 Woolworth: "Everything fell into place last year. But nobody noticed."

31 Defense:
The MX Missile
The MX isn't dead, but that scheme to dig 4,600 holes in Utah and Nevada to house 200 rockets is sinking slowly into the sunset.

32 Monetary Policy:
Lewis Lehrman And The Gold Standard
Why the savvy former president of Rite Aid Corp. is asking the politicians to make the supreme sacrifice.

34 France:
The Word Is *Débrouillardise*
Roughly translated, it means "street smarts," and it has more to do with the collapse of the franc than the non-Gallic world might suppose.

35 Companies:
Allied Corp.
"Maybe I'm not moving fast enough," says Ed Hennessy. He must be kidding.

36 Oil And Gas:
The Invisible Billionaire
Never heard of Denver's Philip Anschutz? That's just the way he wants it.

38 Defense:
The Flight Of The Harrier
Why the Marines want that expensive plane.

44 Companies:
Woolworth
At a wretched 5 times earnings, there's some surprising earnings leverage in the old five-and-dime.

48 Banking:
Laissez-Faire Marches On
Congressmen propose, technology and human ingenuity dispose.

50 Companies:
Four-Phase Systems Inc.
Lee Boysel thought IBM had "blessed our business" two years ago by getting in it, and thus—so Boysel thought—expanding the market. Alas, it didn't work out that way for either company.

54 Investing:
Commodity Options
A new way to lose your shirt?

71 Companies:
Metromedia
Why canny John Kluge isn't rushing into cable TV like everybody else.

72 Companies:
Honeywell Inc.
Who's afraid of the Japanese?

76 Companies:
International Controls Corp.
Robert Vesco nearly ruined it, and it has taken Elmer Sticco eight years to straighten it out. The job, he says, may be about complete.

83 As I See It:
Stanley Sporkin
The SEC's former chief enforcer sits down with FORBES to get a few things off his mind.

88 Companies:
G. Heileman Brewing Co.
Because Russ Cleary likes to watch eagles—in more ways than one—his company could wind up as the nation's third-largest brewer by year's end.

92 The Money Men:
Stanford Rothschild Jr.
What sets apart the Rothschilds of Baltimore: A commitment to convertibles.

94: Resources:
Who Owns All That Copper?
The oil companies do—more than half of all U.S. reserves.

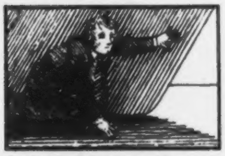
101 The Up-And-Comers:
Pro-Line Corp.
From scratch, the Cottrell Brothers of Dallas have built one of the nation's largest black-owned businesses.

107 Cover Story: Executive Perks
With bracket creep and inflation, perquisites are getting to be more and more like requisites—with scarcely a murmur heard from Congress about three-martini lunches.

114 Special Report:
How Much Does The Boss Make?
Compensation last year for the CEOs of the 818 largest public corporations.

71 *Metromedia: "We're not investing one dime in hardware."*

92 *The Money Men: Why do the Baltimore Rothschilds think convertibles are a dandy investment right now?*



148 *The Numbers Game: Are small businesses suffering from disclosure overkill?*

188 *The Streetwalker: An old dog—Singer Co.—is doing new tricks on Wall Street.*

148 The Numbers Game:
The World According To GAAP
Generally accepted accounting principles are tough on big companies, and even tougher on small ones.

150 Taxing Matters:
John Lennon's Tax Shelters
One of the shrewdest: Owning cows.

152 Companies:
Swift Independent Corp.
Shorn from Esmark, an old name is reborn in surprisingly good health.

156 Waste Disposal:
Garbage Gets Glamorous
Despite its seamy reputation, the $10 billion waste disposal business has become one of today's hot new glamour industries.

Faces Behind The Figures

160 William E. Brock,
U.S. trade negotiator
160 William G. Moore Jr.,
Emery Air Freight
162 John Severino,
American Broadcasting Cos.
162 Lawrence H. Hyde,
American Motors Corp.
162 Winton (Red) Blount,
Blount Inc.
163 John K. Hanson,
Winnebago Industries Inc.
163 Sir Charles Forte,
Trust Houses Forte Ltd.
164 Lawrence Kudlow,
U.S. Office of Management & Budget
164 Bert Walker,
Stifel Nicolaus

Personal Affairs

187 The Streetwalker:
Wall Street Loves Small Computers
Maybe too much, says one expert. Also: Singer's new luster.

189 Statistical Spotlight:
Rough Cuts
Are dividend cuts a buy signal or a sell signal? Here's what happened to 69 companies that slashed payouts.

Money And Investments

25
What's Ahead For Business?

26
The Forbes Index

171
The Forbes/ Wilshire 5000 Review

Columnists

175
Ben Weberman
176
Heinz H. Biel
177
Ann C. Brown
180
Srully Blotnick
182
John Train
184
David Dreman
185
Ashby Bladen
186
Stanley W. Angrist

Departments

4
Side Lines
8
Trends
10
Follow-Through
14
Readers Say
17
Fact and Comment
22
Other Comments
192
Editorial Index
193
Flashbacks
196
Thoughts

Photos:
4 top, 44, 45, 94, 164 left, 168, Bill Kelly; 4 bottom, Wide World; 10, Ken Rogers/Black Star; 19, 20, 175, 176, 177, 180, 182, 184, 185, 187, Robert Forbes; 33, 35, Theo Westenberger/Liaison; 37, Tim Kelly/Black Star; 50, Thomas Lea; 54 left, 152, Art Shay; 54 right, 164 right, Bruce Hoertel; 71, Robert Ware/Women's Wear Daily; 74, James Caccavo/Empire; 76, 163 right, Craig Perman; 79, Judith Gefter; 80, 160 bottom, UPI; 83, Jim Pickerell; 91, Alvis Upitis/Black Star; 92, Eric Poggenpohl; 101, 102, Les Wollam; 148, Allan Tannenbaum; 158, Ray Fisher; 160 top, Mike Borum/Black Star; 162 top, J. Edward Bailey; 163 left, Patrick Pagnano
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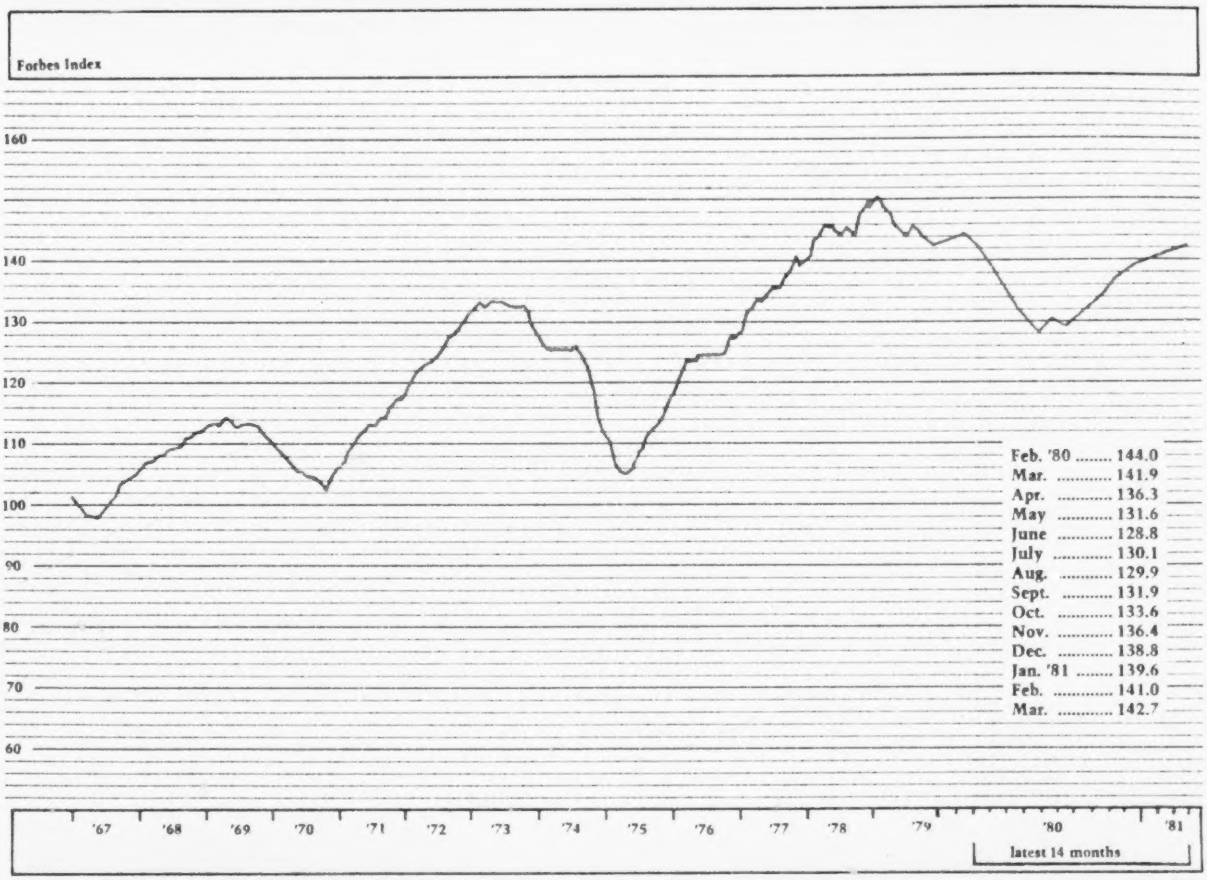
The Forbes Index



Feb. '80	144.0
Mar.	141.9
Apr.	136.3
May	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.6
Feb.	141.0
Mar.	142.7

The Forbes Index Components

Climbing, on borrowed money. Consumers took on more than $1 billion in debt, and that helped move the Forbes Index up this reporting period, but hardly for the best reasons. There's a good-news side though, since loans in the prior period increased by almost $2 billion. At the same time, industrial production kept climbing. It's now higher than at any time in the past 18 months. Retail sales, which had been rising, dropped below March levels.

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

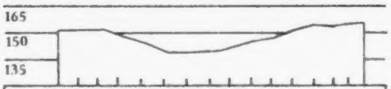
Total retail sales

New housing starts

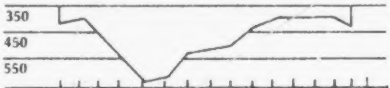
Personal income

The change in the amount of consumer installment debt outstanding

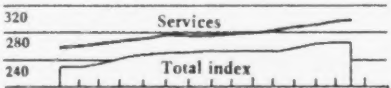
To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



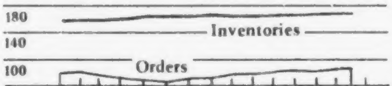
Industrial production index (1967=100) seasonally adjusted (Federal Reserve)



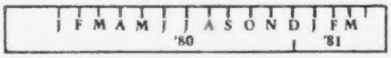
Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)

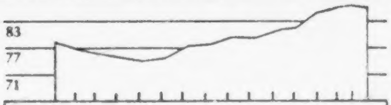


Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)

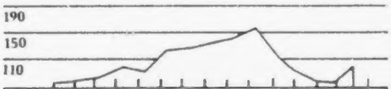


Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)

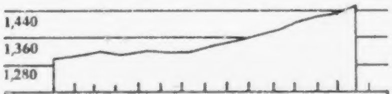




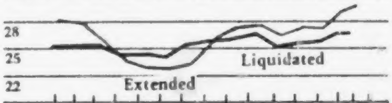
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)



New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

you've got to be a damn fool to buy the common rather than the convertible," Wikler says. Consider the Oak Industries 11% bond, due in 2000 and convertible into 40 shares of stock. The stock was recently trading at 33 and the bond at 137, so that the bond is at a slight premium to the underlying stock—$50 per $1,000 bond.

What do you get for this premium? First, a much nicer annual yield: 8% on the bond, *vs.* 0.7% on the stock. On that score alone the bond would pay for itself in a matter of months. But the $50 also buys you some insurance. If the stock collapses, the bond will still have value as a fixed-income security. Minus the conversion feature, it would be worth about $750, according to *Value Line Options & Convertibles*. Doesn't this mean the convertible is a steal? Not necessarily. Oak, an electronic parts manufacturer and cable-television operator, may be overpriced at 17 times earnings.

Still, convertibles can help an individual investor maximize his profits. After picking a stock, advises Wikler, look for a convertible equivalent before placing your buy order. Sometimes the convertible is hard to find. Rothschild, for example, has been buying Chieftain Development, a Canadian oil producer, via its convertible preferred, which has no conversion premium but sports a 1.8% yield advantage. The common is traded on the American Exchange, but the convertible is available only in Canada.

Not all convertible securities trade near their common stock value. The other extreme is a bond so far out of the money that it behaves like a fixed-income investment. First Pennsylvania 5% bonds of 1993 were quoted recently at $395 per $1,000 bond, for a 17.4% yield to maturity—assuming the bank survives until then. That's only $15 more than the bond would be worth without the conversion privilege. The bond is convertible into 23¼ shares of First Penn common, worth all of $110 currently. Rothschild doesn't bother with long shots like that, for the same reason that he shuns straight long-term bonds.

There is , of course, a tradeoff: The lower the conversion premium, the less protection against a drop in the stock price, but the better protection—or so Rothschild thinks—against inflation. That's why, when he buys convertibles today, Stanford Rothschild is more interested in finding an attractive way to acquire stock in companies he likes than he is in locking up high long-term yields. For the careful shopper, he believes, bargains abound. ■

Folks like Arco, Socal and Sohio now own over half of the U.S.' copper reserves. Is their diversification strategy a plan to buy and invest—or to buy and hold?

Mixing oil and copper

By Carol E. Curtis

Charles Barber of Asarco
Fighting off submersion in oil.

SINCE 1977 Atlantic Richfield has owned Anaconda. Sohio will pay $1.77 billion for Kennecott. Socal offered $4 billion to expand its stake in Amax.

Big oil, in short, is paying big bucks to buy into copper. Even though reams of copy have been written about each of these specific moves, few analysts have assessed their broader significance. There are ten major copper producers that hold nearly all U.S. reserves, and oil companies now own or have major interests in six of them. Asarco, Newmont Mining and Phelps Dodge—the remaining independents—are all tempting takeover targets. The oil industry already controls over half of domestic copper resources and 55% of current production, up from 34% just three years ago. Should Socal ever renew its bid for Amax and win the takeover fight, this would rise to 63%—far larger than the oil industry's current 25% share of coal production.

Part of the reason for this march into metal is the fact that buyers spotted bargains—and had the cash to snap them up. "The mining companies were strapped financially, and oil companies bought capacity in place more cheaply than they could build it themselves," says Robert Lesemann, a market analyst with Commodities Research Unit. "They got the assets quite cheap."

In the biggest current acquisition, for example, Sohio acquired Kennecott's 375,000 metric tons of annual production capacity for $1.77 billion. For Sohio to build instead of buy, it would require some $3 billion at current costs of $7,500 to $8,000 per ton of capacity. Similarly, Arco bought Anaconda for $700 million, much less than it would have cost to enter the copper business on its own.

Copper capacity, however, was cheap for a reason. For the moment, of course, copper prices are 80 cents to 85 cents per pound, and the industry's two biggest markets—automobiles and construction—are in the doldrums. Beyond that, there is the massive financial burden of complying with recent environmental regulations. The industry has spent $2 billion over the last 12 years on air-pollution-control equipment alone, and more money will be required. It still costs Asarco, for example, $50 million a year to control pollution. As a result of these expenses, building of new facilities has been deferred. "How are you going to make the investment, maintain the cash flow and make the thing pay?" asks one copper expert.

Enter big oil, with its hoard of cash. A potent argument in favor of oil-and-copper mergers is that the energy giants bring the financial muscle for massive capital expenditures. Says Geoffrey Croome of Commodities Research Unit, "Copper has become an incredibly expensive business, and oil offers financial security. Companies can ride out the downturns better." Croome, in fact, worries that the oil industry will overinvest in capacity, aggravating production surpluses.

Perhaps. But there are indications that oilmen can wield some very sharp pencils. In September, for example, Anaconda decided to close a Montana smelter capable of refining 9% of all U.S. copper. Anaconda's Arco management opted against spending $400 million to meet clean air rules, and as a result Montana copper concentrate is being shipped to Japan for refining (FORBES, *Mar. 2, 1981*).

Critics of oil company involvement in copper point out that Anaconda is the only copper producer ever to close down a smelter rather than upgrade it. Arco made its decision, of course, because the current return on its money could be maximized elsewhere—and a pure copper company might have acted otherwise.

For example, Asarco Chairman Charles Barber says his company will put up some $135 million to correct a similar problem at its smelter in Arizona. Phelps Dodge, another independent, is reluctantly spending $195 million on its two Arizona smelters. Says Barber, "Experience convinced us that we were better off dredging up the additional funds. But if other oil-owned companies follow the path of Anaconda, and more production is exported, we won't control our own copper supply." That, of course, is a political decision, and in view of current proposals to increase stockpiles of metals like cobalt and titanium, the Reagan Administration might be surprisingly receptive to proposals to protect domestic producers.

Unless the government intervenes, however, new money won't necessarily flow to copper, even though copper needs it and the oil industry has it. Simon Strauss, a copper expert, points out that when it comes to committing cash, big oil, with a large array of energy-related alternatives, may well evaluate copper projects even more critically than do the copper companies. In that case, he argues, U.S. copper processing capacity could decline, putting the U.S. at a disadvantage in a strategic metal.

Apart from what oil will do for copper, of course, there is also the question of what copper will do for oil. In the main mergers so far, copper's average return on investment has been disappointing. Right after Sohio announced its bid for Kennecott, its price dropped by $3 a share.

One critic looks at the situation this way: He says that at least $1 billion will be required to shape up Kennecott's copper properties. But if Sohio had taken its $2.5 billion cash flow and socked it away in 20- or 30-year instruments, he calculates it would be getting $375 million in annual income. Not for at least three decades does he see Kennecott making that kind of money.

Still, oil companies are the longest of long-term investors. At the same time, their need to deploy cash is enormous. Petroleum projects eat up capital largely in the development phase—and for the moment there are no North Seas or North Slopes on the horizon.

What's more, the industry has a dismal diversification record in areas where active management is essential. Look at Mobil's troubles with Montgomery Ward and the disarray of Exxon's office products operations. Wiser, perhaps, to sink billions into metal—safely underground in the western U.S.—and to wait patiently for prices to rise and the economics of mining to improve. Copper companies can't afford that luxury—which may be the reason they don't like their rich new competitors. ■

Oil's big stake in copper

A Kennecott mine in Utah

The depressed copper industry has found a friend in big oil companies. Or has it? While over half of all U.S. copper capacity is owned by oil, it is unclear whether either side got a good deal.

Oil company	Copper company	Production capacity*	Percent of U.S. total
Atlantic Richfield	Anaconda	203,000	11%
British Petroleum	Selection Trust	7,000	0.4
Cities Service	Cities Service	90,000	5
Louisiana Land & Exploration	Copper Range	45,000	2
Pennzoil	Duval	126,000	7
Standard Oil of California	Amax (20%)	16,500	1
Standard Oil Indiana	Cyprus Mines	81,000	4
Standard Oil Ohio	Kennecott	375,000	20
Union Oil of California	Cyprus Pima	5,000	0.3

* Annual U.S. production capacity in metric tons per year.

Source: Commodities Research Unit Ltd.

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The disappearance of some well-known names from the ranks of the best-paid chief executives bespeaks neither retirement nor a sudden attack of stinginess, but rather a change in the ground rules. Despite this, a rough kind of justice is evident.

How much does the boss make?

THE MOST STRIKING THING about this year's list of the highest-paid executives running the nation's largest corporations is the number of familiar names that aren't there. Missing from this year's top ten, for example, is Steven J. Ross of Warner Communications, who ranked number two a year ago. Ross did all right in 1980, mind you, earning a total of $2,273,688. But handsome as it was, that sum was only enough to rank him 18th.

Missing too, among others, from last year's top ten are John Swearingen of Standard Oil (Indiana) and Rawleigh Warner Jr. of Mobil, who had ranked 4th and 5th, respectively, and who this year rank 11th and 34th.

All told, eight of last year's top ten are off the list this year. One of them, Howard Keck of Superior Oil, retired. The other, Frank Rosenfelt of Metro-Goldwyn-Mayer, had his company spun off under him, resulting in pieces too small to make our lists.

The absence of the others bespeaks no sudden stinginess on the part of compensation committees. Rather, it results largely from the absence of big stock gains reported last year *(see definitions)*. Nine of this year's top ten CEOs reached that level because of the exercise of stock options or stock appreciation rights. Warner of Mobil, having exercised no options in 1980, did not make it into the top ten this year. Last year's top ten averaged $2.8 million in total remuneration *vs.* $4.1 million this year.

When it comes to money, no reporting philosophy can be problem-free. Compensation earned by past performance but paid in 1980 *is* included. And, as in past years, our tables also continue to show accruals made on company books for long-term performance plans and under employment agreements that call for payments if and when certain conditions are met. Even though they have been reported, chief executives may not get these contingent amounts if, say, company earnings do not meet standards or the boss quits to join a competitor.

A rough kind of justice continues to be evident in these tables. Ranked are the chief executives of 818 companies—those companies that made one or more of the FORBES lists of the 500 largest companies ranked by sales, profits, assets and stock market value. The median salary and bonus paid to the boss of a company with sales between $500 million and $1 billion was $300,000, 10% higher than last year's median; between $1 billion and $5 billion it was $402,000, 6% higher than last year; over $5 billion it was $589,000, 9% higher. The median salary and bonus for all companies is $351,945.

As for the preferred route to the top dollar, there was a clear advantage among these 818 chief executive officers to those who came up through finance (134) and banking (101). Far behind were those who came up through marketing (57) and, even further behind, sales (28).

Definitions

The Securities & Exchange Commission's latest requirements for proxy statements are the basis for the numbers in the tables that follow.

Salary and bonus

Includes—in addition to salary and cash bonuses—directors' fees, commissions and payments made on long-term incentive plans.

Benefits

Includes cash-equivalent forms of compensation such as company-paid life insurance premiums or club dues, use of company car or plane and other fringe benefits; also stock bonus awards, thrift plan contributions and restricted stock awards vested or released from restrictions in 1980.

Contingent remuneration

Includes the amounts expensed for deferred compensation agreements and accruals (or credits) under performance-related long-term incentive plans.

Stock gains

Includes net value realized in shares or cash from the *exercise* of stock options and/or stock appreciation rights (SARs) granted in prior years. (In contrast to previous years, this survey does not reflect the accruals for stock appreciation rights unexercised.)

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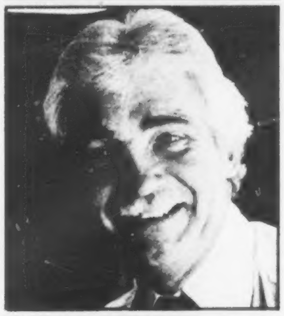
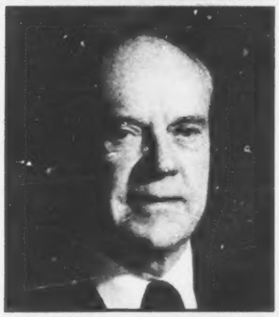
THE TOP TEN

1. Thomas B. Pickens Jr. Mesa Petroleum		2. George T. Scharffenberger City Investing
$ 415,972	Salary & bonus	$ 569,000
169,145	Benefits	11,839
45,165	Contingent	120,941
7,235,549	Stock gains	4,464,112
$7,865,831	**Total**	**$5,165,892**

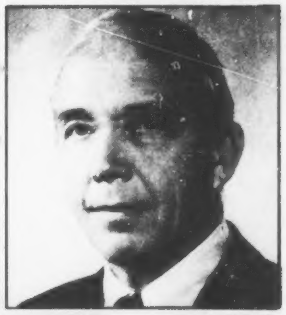
3. Robert A. Charpie Cabot		4. Walter J. Sanders III Advanced Micro Devices
$ 799,000	Salary & Bonus	$ 538,246
1,222,533	Benefits	27,907
1,376,048	Contingent	8,106
1,308,625	Stock gains	3,706,560
$4,706,206	**Total**	**$4,280,819**



5. Milton F. Rosenthal Engelhard Minerals		6. Clifton C. Garvin Jr. Exxon
$1,825,000	Salary & Bonus	$1,043,431
476,592	Benefits	60,551
1,698,625	Contingent	227,564
—	Stock gains	2,016,437
$4,000,217	**Total**	**$3,347,983**



7. Fred L. Hartley Union Oil California		8. Ray C. Adam NL Industries
$ 875,767	Salary & Bonus	$ 662,225
370,387	Benefits	21,845
463,313	Contingent	247,483
1,419,441	Stock gains	2,161,500
$3,128,908	**Total**	**$3,093,053**



9. David S. Lewis General Dynamics		10. Robert Anderson Rockwell International
$ 455,173	Salary & Bonus	$ 865,000
8,875	Benefits	18,562
—	Contingent	919,900
2,556,746	Stock gains	1,163,531
$3,020,794	**Total**	**$2,966,993**

Note: Stock gains may have been previously reported as contingent remuneration.

WHO GETS THE MOST PAY

			Compensation ($000)					Years served			
Rank	Company	Chief executive (age)	Salary & bonus[1]	Benefits[1]	Contingent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
303	Abbott Laboratories	Robert A Schoellhorn (52)	369	8	150	—	527	7	2	Philadelphia, Pa	Technical
410	ACF Industries	John F Burditt (63)	428	4	—	—	432	32	14	Newton Center, Mass	Finance
770	Adobe Oil & Gas	B J Pevehouse (56)	154	—	8	—	161	21	21	Ranger, Tex	Founder
4	Advanced Micro Devcs	Walter J Sanders III (45)	538	28	8	3,707	4,281	12	12	Chicago, Ill	Founder
227	Aetna Life & Cas	John H Filer (56)	588	21	—	—	609	22	8	New Haven, Conn	Insurance
389	H F Ahmanson	William H Ahmanson (55)	375	18	52	—	445	31	12	Omaha, Neb	Administration
196	Air Prods & Chems	Edward Donley (59)	488	165	—	—	653	38	7	Highland Park, Mich	Technical
649	Akzona	Claude S Ramsey (56)	250	3	—	—	253	31	14	Asheville, NC	Administration
202	Alaska Interstate	O Charles Honig (62)	507	23	113	—	642	15	7	Dallas, Tex	Founder
167	Albertson's	Warren E McCain (55)	500	16	—	195	711	29	4	Logan, Kan	Operations
252	Alco Standard	Ray B Mundt (52)	441	9	7	121	579	11	1	Appleton, Wisc	Operations
489	Alexander & Alexander	John A Bogardus Jr (53)	243	7	—	119	370	30	2	New York, NY	Insurance
386	Alexander & Baldwin	Robert J Pfeiffer (61)	359	10	—	78	447	21	1	Fiji Islands	Operations
596	Alleghany	Fred M Kirby (61)	285	—	—	—	285	23	14	Wilkes Barre, Pa	Investment
721	Allegheny Power	Charles B Finch (61)	198	6	—	—	204	27	9	New York, NY	Legal
776	Allied Bancshares	Gerald H Smith (50)	131	21	—	—	152	22	9	Groveton, Tex	Banking
93	Allied Corp	Edward L Hennessy Jr (53)	693	61	137	—	890	2	2	Boston, Mass	Finance
92	Allied Stores	Thomas M Macioce (62)	650	120	128	—	897	21	9	New York, NY	Legal
190	Allis-Chalmers	David C Scott (65)	423	55	182	—	660	12	12	Akron, Ohio	Technical
90	Alcoa	W H Krome George (63)	649	15	15	222	902	39	6	St Louis, Mo	Technical
129	AMAX	Pierre Gousseland (59)	765	41	—	—	806	32	4	France	Technical
398	Amdahl	Eugene R White (50)	390	7	43	—	440	6	1	Bangor, Me	Administration
720	Amerada Hess	Leon Hess (67)	200	—	5	—	205	48	8	Asbury Park, NJ	Founder
481	American Airlines	Albert V Casey (61)	372	2	—	—	374	7	7	Boston, Mass	Finance
722	American B & T Pa	Samuel A McCullough (42)	186	—	18	—	204	5	3	Pittsburgh, Pa	Banking
54	American Brands	[2]Robert K Heimann (62)	574	37	374	125	1,109	27	8	New York, NY	Marketing
41	Amer Broadcasting	Leonard H Goldenson (75)	725	96	408	—	1,229	47	31	Scottdale, Pa	Legal
547	American Can	William S Woodside (59)	314	7	—	—	321	31	1	Columbus, Ohio	Operations
381	American Cyanamid	Dr James G Affleck (58)	417	5	28	—	450	34	5	Yonkers, NY	Administration
577	American Elec Power	Willis S White Jr (54)	273	15	8	—	295	32	5	Portsmouth, Va	Technical
210	American Express	James D Robinson III (45)	587	26	18	—	631	10	4	Atlanta, Ga	Finance
665	American Fletcher	Frank E McKinney Jr (42)	238	1	—	—	239	13	8	Indianapolis, Ind	Banking
451	American General	Harold S Hook (49)	335	46	16	—	397	10	2	Kansas City, Mo	Insurance
55	American Home Prod	[3]William F Laporte (67)	475	—	616	—	1,091	43	16	New York, NY	Administration
325	Amer Hospital Supply	Karl D Bays (47)	488	22	—	—	510	22	10	Loyall, Ky	Sales
65	American Intl Group	Maurice R Greenberg (56)	456	2	564	—	1,022	20	14	New York, NY	Insurance
49	Amer Medical Intl	Royce Diener (63)	450	5	266	423	1,144	11	5	Baltimore, Md	Finance
378	American Motors	Gerald C Meyers (52)	385	5	15	47	451	19	3	Buffalo, NY	Technical
583	American Natl Ins	Orson C Clay (50)	287	6	—	—	293	10	3	Bountiful, Utah	Administration
580	Amer Natl Resources	Arthur R Seder Jr (61)	281	—	14	—	295	21	4	Oak Park, Ill	Legal
556	American Petrofina	Richard I Galland (64)	288	23	—	—	312	23	12	Denver, Colo	Legal
803	Amer Quasar Petroleum	Richard L Lowe (53)	123	6	—	—	129	12	8	Wichita Falls, Tex	Founder
706	Amer Savings & Loan	Morris N Broad (46)	144	2	65	—	211	24	16	Burlington, Vt	Finance
693	American Security	W Jarvis Moody (53)	192	1	23	—	216	17	1	Mineola, NY	Banking
20	American Standard	William A Marquard (61)	705	14	524	920	2,163	28	9	Pittsburgh, Pa	Operations
414	American Stores	Lennie S Skaggs (57)	421	2	5	—	427	36	15	Yakima, Wash	Retailing
139	American Tel & Tel	Charles L Brown (59)	716	5	59	—	780	35	2	Richmond, Va	Operations
519	AmeriTrust	M Brock Weir (59)	326	4	11	—	342	8	8	Wenatchee, Wash	Banking
259	AMF	W Thomas York (47)	545	21	—	—	566	12	3	Archdale, NC	Finance
195	Amfac	Henry A Walker Jr (59)	595	7	53	—	654	33	13	Honolulu, Haw	Operations
512	AMP	Joseph D Brenner (64)	346	—	—	—	346	34	9	Carlisle, Pa	Operations

[1] For FORBES definitions and methodology see page 114.

[2] Succeeded by Edward W. Whittemore, 1/1/81.

[3] Succeeded by John W. Culligan 5/1/81.

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WHO GETS THE MOST PAY

			Compensation ($000)					Years served			
Rank	Company	Chief executive (age)	Salary & bonus[1]	Benefits[1]	Contin-gent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
738	AmSouth Bancorp	John W Woods (49)	175	20	—	—	**195**	11	9	Evanston, Ill	Banking
498	Amstar	Robert T Quittmeyer (60)	348	1	8	2	**359**	25	9	Peekskill, NY	Legal
514	Amsted Industries	[4]Goff Smith (64)	334	10	—	—	**343**	34	7	Jackson, Tenn	Sales
509	Anderson, Clayton	Thomas J Barlow (59)	311	3	33	—	**347**	35	14	Houston, Tex	Operations
226	Anheuser-Busch Cos	August A Busch III (44)	606	4	—	—	**610**	24	6	St Louis, Mo	Operations
787	Apple Computer	[5]Michael M Scott (38)	135	12	—	—	**148**	4	4	Gainesville, Fla	Technical
343	ARA Services	William S Fishman (65)	479	10	—	—	**488**	41	6	Clinton, Ind	Founder
387	Archer Danls Midland	Dwayne O Andreas (63)	445	—	—	—	**445**	10	10	Worthington, Minn	Finance
703	Arizona Bank	Donald B Tostenrud (56)	205	2	5	—	**212**	21	3	Estherville, Iowa	Banking
750	Arizona Public Serv	Keith L Turley (58)	178	—	4	—	**182**	29	7	Mesa, Ariz	Administration
225	Ark Louisiana Gas	Edward Sheffield Nelson (40)	274	4	17	315	**610**	17	8	Keevil, Ark	Legal
104	Armco	Harry Holiday Jr (57)	537	2	140	184	**862**	32	2	Pittsburgh, Pa	Technical
620	Armstrong World Inds	Harry A Jensen (62)	274	—	—	—	**274**	40	3	Council Bluffs, Iowa	Marketing
261	ASARCO	Charles F Barber (64)	560	—	5	—	**565**	25	10	Chicago, Ill	Legal
221	Ashland Oil	Orin E Atkins (57)	591	25	—	—	**616**	31	16	Pittsburgh, Pa	Legal
345	Associated Dry Goods	William P Arnold (56)	180	56	248	—	**484**	33	2	Omaha, Neb	Retailing
792	Atlantic Bancorp	Billy J Walker (50)	141	—	—	—	**141**	32	5	Baker County, Fla	Banking
23	Atlantic Richfield	Robert O Anderson (64)	754	36	371	896	**2,057**	39	16	Chicago, Ill	Production
542	Auto Data Processing	Frank R Lautenberg (57)	325	—	—	—	**325**	28	5	Paterson, NJ	Marketing
292	Avco	James R Kerr (63)	510	5	23	—	**538**	26	11	Las Vegas, NM	Administration
87	Avnet	Anthony R Hamilton (56)	774	12	139	—	**925**	24	1	North Bergen, NJ	Operations
269	Avon Products	David W Mitchell (53)	547	10	—	—	**557**	33	5	Pasadena, Cal	Sales
219	Bache Group	Harry A Jacobs Jr (60)	514	3	5	97	**619**	35	3	New York, NY	Investment
217	Baker International	Earnest H Clark Jr (54)	578	44	—	—	**622**	34	16	Birmingham, Ala	Technical
511	Baldwin-United	[6]Lucien Wulsin (64)	329	17	—	—	**346**	42	19	Cincinnati, Ohio	Legal
289	Bally Manufacturing	Robert Mullane (49)	487	45	7	—	**539**	8	1	Cincinnati, Ohio	Administration
757	Baltimore Gas & Elec	Bernard C Trueschler (58)	173	2	5	—	**179**	33	1	Baltimore, Md	Technical
592	Banc One	John G McCoy (68)	287	—	—	—	**287**	44	21	Marietta, Ohio	Finance
543	BanCal Tri-State	Chauncey E Schmidt (50)	310	14	—	—	**324**	5	5	Oxford, Iowa	Banking
762	Banco Popular PR	Rafael Carrión Jr (66)	134	—	37	—	**171**	48	24	San Juan, PR	Banking
696	BancOhio	[7]Robert G Stevens (51)	215	—	—	—	**215**	5	5	Marion, Ill	Banking
729	Bancorp Hawaii	Frank J Manaut (57)	186	14	—	—	**201**	30	1	Alhambra, Cal	Banking
275	Bank of New York	Elliott Averett (63)	288	190	77	—	**554**	41	6	Chatham, NJ	Banking
759	Bank of Virginia	Frederick Deane Jr (54)	165	1	11	—	**177**	27	7	Boston, Mass	Finance
141	BankAmerica	[8]Alden W Clausen (58)	700	9	40	22	**770**	31	11	Hamilton, Ill	Finance
361	Bankers Trust N Y	Alfred Brittain III (58)	424	—	38	4	**466**	34	6	Evanston, Ill	Banking
624	Barnett Banks Fla	Charles E Rice (45)	260	—	—	9	**270**	16	1	Chattanooga, Tenn	Banking
230	Bausch & Lomb	[9]Daniel G Schuman (64)	390	114	—	100	**604**	21	10	New York, NY	Finance
443	Baxter Travenol Labs	Vernon R Loucks Jr (46)	372	33	—	—	**405**	15	1	Evanston, Ill	Marketing
735	BayBanks	William M Crozier Jr (48)	180	19	—	—	**199**	17	6	New York, NY	Banking
215	Beatrice Foods	James L Dutt (56)	593	2	29	—	**623**	34	1	Topeka, Kan	Administration
425	Beckman Instruments	Arnold O Beckman (81)	398	2	17	—	**418**	46	41	Cullom, Ill	Founder
300	Becton, Dickinson	Wesley J Howe (60)	426	8	96	—	**529**	32	6	Jersey City, NJ	Administration
724	Belco Petroleum	Arthur B Belfer (74)	197	7	—	—	**204**	28	28	Poland	Founder
111	Bendix	William M Agee (43)	687	13	149	—	**850**	9	4	Boise, Ida	Finance
428	Beneficial Corp	Finn M W Caspersen (39)	379	13	22	—	**414**	9	4	New York, NY	Legal
490	Bethlehem Steel	Donald H Trautlein (54)	281	7	62	20	**370**	4	1	Sandusky, Ohio	Finance
527	Big Three Industries	Harry K Smith (69)	333	1	2	—	**336**	55	25	Pittsburgh, Pa	Administration
530	Black & Decker	Francis P Lucier (53)	307	23	5	—	**335**	18	6	Boston, Mass	Marketing
633	Blue Bell	L Kimsey Mann (64)	235	1	26	—	**262**	35	7	La Grange, Ga	Production
705	Boatmen's Bancshs	Donald N Brandin (59)	210	1	—	—	**211**	25	8	New York, NY	Banking

[1] For FORBES definitions and methodology see page 114.

[4] Succeeded by Robert H. Wellington, 1/20/81.
[5] Succeeded by A.C. Markkula Jr., 3/19/81.
[6] Succeeded by Morley P. Thompson, 1/1/81.
[7] Succeeded by Arthur D. Herrmann, 2/25/81.
[8] Succeeded by Samuel H. Armacost, 4/21/81.
[9] Succeeded by Daniel E. Gill, 4/24/81.

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

				Compensation ($000)					Years served			
Rank	Company	Chief executive	(age)	Salary & bonus[1]	Benefits[1]	Contingent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
38	Boeing	Thornton A Wilson	(60)	649	186	12	561	**1,409**	38	12	Sikeston, Mo	Technical
360	Boise Cascade	John B Fery	(51)	373	41	53	—	**466**	24	8	Bellingham, Wash	Production
169	Borden	Eugene J Sullivan	(60)	495	16	191	—	**702**	35	1	New York, NY	Sales
356	Borg-Warner	James F Beré	(58)	416	50	9	—	**475**	20	9	Chicago, Ill	Production
782	Borman's	Paul Borman	(48)	142	—	8	—	**149**	27	16	Detroit, Mich	Sales
736	Boston Edison	Thomas J Galligan Jr	(61)	196	1	—	—	**197**	27	10	Watertown, Mass	Finance
106	Braniff Intl	[10]Harding L Lawrence	(60)	300	32	527	—	**859**	16	16	Perkins, Okla	Administration
126	Bristol-Myers	Richard L Gelb	(57)	797	5	14	—	**816**	31	9	New York, NY	Administration
741	Broadview Financial	John E Rupert	(53)	191	—	—	—	**191**	27	7	Cleveland, Ohio	Administration
524	Brown-Forman Dist	W L Lyons Brown Jr	(44)	306	32	—	—	**338**	20	5	Louisville, Ky	Marketing
421	Brown Group	W L Hadley Griffin	(63)	331	—	—	89	**421**	34	12	Edwardsville, Ill	Legal
127	Brunswick	K Brooks Abernathy	(62)	442	28	346	—	**816**	19	5	Missoula, Mont	Finance
572	Bucyrus-Erie	Norris K Ekstrom	(53)	298	—	1	—	**299**	19	3	Kiron, Iowa	Finance
212	Burlington Inds	William A Klopman	(59)	505	2	120	—	**627**	35	4	New York, NY	Marketing
308	Burlington Northern	Richard M Bressler	(50)	509*	14	—	—	**522**	1	1	Wayne, Neb	Finance
246	Burroughs	W Michael Blumenthal	(55)	580†	8	—	—	**588**	1	1	Germany	Administration
3	Cabot	Robert A Charpie	(55)	799	1,223	1,376	1,309	**4,706**	12	12	Cleveland, Ohio	Technical
698	California First Bnk	Yasushi Sumiya	(53)	180†	30	5	—	**215**	1	1	Japan	Banking
341	Cameron Iron Works	Myron A Wright	(70)	306	3	—	182	**491**	4	4	Blair, Okla	Administration
718	Campbell Soup	R Gordon McGovern	(54)	202	4	1	—	**206**	25	1	Norristown, Pa	Marketing
502	Campbell Taggart	C B Lane	(56)	352	2	—	—	**354**	34	1	El Paso, Tex	Finance
36	Capital Cities Comm	Thomas S Murphy	(56)	368	20	37	1,033	**1,458**	26	14	Brooklyn, NY	Administration
575	Capital Holding	Thomas C Simons	(52)	282	2	12	—	**296**	3	3	Pasadena, Cal	Insurance
439	Carnation	H Everett Olson	(74)	345	—	62	—	**407**	50	13	Chicago, Ill	Finance
743	Carolina Pwr & Lt	Sherwood H Smith Jr	(46)	181	4	5	—	**190**	16	1	Jacksonville, Fla	Legal
315	Carter Hawley Hale	Philip M Hawley	(55)	507	8	—	—	**515**	23	4	Portland, Ore	Retailing
648	Castle & Cooke	Donald J Kirchhoff	(56)	253	—	—	—	**253**	25	6	St Louis, Mo	Administration
330	Caterpillar Tractor	Lee L Morgan	(61)	482	3	19	—	**504**	35	3	Aledo, Ill	Marketing
136	CBI Industries	Marvin G Mitchell	(64)	450	17	325	—	**792**	42	11	Waycross, Ga	Sales
28	CBS	Thomas H Wyman	(51)	1,361	4	292	—	**1,657**	1	1	St Louis, Mo	Marketing
622	CBT	Walter J Connolly Jr	(52)	209	3	24	35	**271**	20	4	Boston, Mass	Banking
130	Celanese	John D Macomber	(53)	525	6	268	5	**805**	8	3	Rochester, NY	Administration
639	Centex	[11]Frank M Crossen	(57)	237	20	—	—	**258**	24	15	Dallas, Tex	Finance
700	Central & South West	Durwood Chalker	(57)	198	—	15	—	**213**	31	1	Breckenridge, Tex	Technical
602	Central Bancorp	Oliver W Birckhead	(59)	165	117	—	—	**282**[12]	30	9	Brooklyn, NY	Administration
717	Central Bancshares	Harry B Brock Jr	(55)	207	—	—	—	**207**	10	10	Fort Payne, Ala	Founder
768	Central Fidelity Bks	[13]Alvin R Clements	(54)	161	—	3	—	**164**	8	6	Charlottesville, Va	Banking
587	Centl Louisiana Engy	Gale L Galloway	(51)	282	10	—	—	**292**	7	1	Pearsall, Tex	Operations
680	Central Soya	Douglas G Fleming	(51)	220	4	—	—	**225**	27	1	Harvey, Ill	Sales
506	Central Tel & Utils	Robert P Reuss	(63)	297	9	43	—	**349**	8	8	Aurora, Ill	Operations
565	Centran	[14]John A Gelbach	(63)	285	18	—	—	**302**	25	10	Ellwood City, Pa	Finance
412	Cessna Aircraft	Russell W Meyer	(48)	376	—	52	—	**428**	7	6	Davenport, Iowa	Legal
307	Champion Intl	Andrew C Sigler	(49)	500	22	1	—	**523**	24	6	Brooklyn, NY	Sales
557	Charter	Raymond K Mason	(54)	249	44	16	—	**309**	29	18	Jacksonville, Fla	Founder
244	Chase Manhattan	Willard C Butcher	(54)	562	—	27	—	**589**	34	1	Bronxville, NY	Banking
262	Chemical New York	Donald C Platten	(62)	525	39	—	—	**564**	40	8	New York, NY	Banking
321	Chesebrough-Pond's	Ralph E Ward	(60)	416	96	—	—	**512**	34	13	Scotch Plains, NJ	Marketing
224	Chromalloy American	Frank P Nykiel	(64)	591	11	9	—	**610**	21	1	Chicago, Ill	Finance
100	Chrysler	Lee A Iacocca	(56)	616	—	252	—	**868**	2	1	Allentown, Pa	Operations
401	Chubb	Henry U Harder	(56)	378	—	58	—	**437**	32	1	New York, NY	Insurance
754	Cincinnati G & E	William H Dickhoner	(59)	161	—	19	—	**181**	40	5	Cincinnati, Ohio	Technical

*CEO joined company in 1980; salary less than full year.

†Salary annualized.

[1] For FORBES definitions and methodology see page 114.

[10] Succeeded by John J. Casey, 1/7/81.

[11] Office jointly held with Paul R. Seegers.

[12] Figures are for 1979.

[13] Succeeded by Carroll L. Saine, 1/1/81.

[14] Succeeded by Wilson M. Brown Jr., 6/1/81.

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

			Compensation ($000)					Years served			
Rank	Company	Chief executive (age)	Salary & bonus[1]	Benefits[1]	Contingent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
176	Cincinnati Milacron	James A D Geier (55)	355	3	172	152	682	30	11	Cincinnati, Ohio	Technical
329	Citicorp	Walter B Wriston (61)	483	24	—	—	507	35	11	Middletown, Conn	Banking
429	Cities Service	[15]Robert V Sellers (54)	395	19	—	—	414	30	9	Bartlesville, Okla	Technical
611	Citizens & Sthrn Ga	Bennett A Brown (52)	230	18	30	—	278	26	3	Kingstree, SC	Banking
686	Citizens Fidelity	J David Grissom (42)	217	—	2	—	219	8	4	Portsmouth, Ohio	Legal
493	City Federal S & L	Gilbert G Roessner (63)	229	85	50	—	364	40	12	Irvington, NJ	Banking
2	City Investing	George T Scharffenberger (62)	569	12	121	4,464	5,166	15	15	Ridgewood, NJ	Operations
405	Clark Equipment	Bert E Phillips (62)	327	15	94	—	436	33	8	Quincy, Ill	Marketing
316	Clark Oil & Refining	Robert G Reed III (53)	492	15	7	—	514	2	2	Cambridge, Mass	Marketing
687	Cleveland Elec Illum	Robert M Ginn (57)	200	12	6	—	218	32	2	Detroit, Mich	Technical
339	Coastal Corp	Oscar S Wyatt Jr (56)	490	1	—	—	491	25	25	Beaumont, Tex	Founder
116	Coca-Cola	[16]J Paul Austin (66)	762	74	—	—	837	31	14	La Grange, Ga	Legal
113	Colgate-Palmolive	Keith Crane (60)	548	15	278	—	841	44	2	New Zealand	Administration
218	Colonial Penn Group	John J MacWilliams (52)	365	24	231	—	620	12	11	Syracuse, NY	Administration
42	Colt Industries	George A Strichman (64)	653	185	375	—	1,213	18	18	Schenectady, NY	Administration
593	Columbia Gas System	W Frederick Laird (61)	270	16	—	—	287	29	1	London, Ohio	Legal
248	Combined Internatl	Clement Stone (53)	547	37	—	—	584	30	8	Evanston, Ill	Insurance
85	Combustion Engnrng	Arthur J Santry Jr (62)	813	—	120	—	933	25	18	Brookline, Mass	Legal
794	Commerce Bancshrs	James M Kemper Jr (59)	131	8	—	—	140	34	14	Kansas City, Mo	Banking
483	Commercial Metals	Stanley A Rabin (43)	325	—	34	14	373	11	2	New York, NY	Administration
699	Commonwlth Edison	James J O'Connor (44)	207	6	—	—	213	17	1	Chicago, Ill	Administration
332	Commonwealth Oil	C Howard Hardesty Jr (59)	500	—	—	—	500	2	2	Fairmont, W Va	Legal
574	Computervision	Martin Allen (50)	281	2	14	—	297	12	12	Des Moines, Iowa	Founder
194	Connecticut General	Robert D Kilpatrick (57)	472	—	185	—	656	27	4	Fairbanks, La	Insurance
52	Conoco	Ralph E Bailey (57)	614	24	—	485	1,123	16	2	Lynnville, Ind	Technical
419	Consolidated Edison	Charles F Luce (63)	235	186	—	—	422	13	13	Platteville, Wisc	Administration
146	Consolidated Foods	John H Bryan Jr (44)	580	9	—	166	755	21	6	West Point, Miss	Administration
539	Consol Freightways	Raymond F O'Brien (59)	393	3	−104	38	329	23	4	Atchison, Kan	Finance
609	Consol Natural Gas	George J Tankersley (60)	265	1	13	—	279	14	2	Ruston, La	Administration
737	Consolidated Papers	George W Mead (53)	197	—	—	—	197	28	15	Milwaukee, Wisc	Operations
599	Consumers Power	John D Selby (59)	276	2	7	—	284	6	3	Odebolt, Iowa	Technical
581	Continental Bank	Roy T Peraino (53)	294	—	—	—	294	23	11	Philadelphia, Pa	Finance
395	Continental Corp	John B Ricker Jr (63)	366	3	18	55	442	42	5	Augusta, Ga	Insurance
283	Continental Group	S Bruce Smart Jr (58)	473	—	53	19	546	28	1	New York, NY	Marketing
174	Continental Illinois	Roger E Anderson (59)	590	26	68	—	684	34	8	Chicago, Ill	Banking
359	Continental Tel	Charles Wohlstetter (71)	428	39	—	—	468	20	9	New York, NY	Finance
203	Control Data	William C Norris (69)	639	—	—	—	639	23	23	Red Cloud, Neb	Founder
61	Cooper Industries	Robert Cizik (50)	563	15	479	—	1,056	19	6	Scranton, Pa	Finance
637	Adolph Coors	William K Coors (64)	258	1	—	—	258	41	20	Golden, Colo	Technical
199	Corning Glass Works	Amory Houghton Jr (54)	435	9	80	121	646	29	17	Corning, NY	Operations
618	Cox Broadcasting	Clifford M Kirtland Jr (57)	273	1	—	—	274	17	7	Buffalo, NY	Finance
110	CPC International	James W McKee Jr (58)	514	10	226	102	852	34	8	Pittsburgh, Pa	Finance
551	Crane	Thomas M Evans (70)	317	—	—	—	317	22	22	Pittsburgh, Pa	Finance
532	Cray Research	John A Rollwagen (40)	120	—	10	204	334	5	1	Minneapolis, Minn	Marketing
231	Crocker National	Thomas R Wilcox (64)	584	17	—	—	602	7	7	New York, NY	Banking
250	Crouse-Hinds	Chris J Witting (66)	425	12	145	—	582[12]	16	16	Cranford, NJ	Administration
477	Crown Central Petrol	Henry A Rosenberg Jr (51)	362	14	—	—	376	28	10	Pittsburgh, Pa	Administration
751	Crown Cork & Seal	John F Connelly (76)	180	2	—	—	182	24	24	Philadelphia, Pa	Sales
437	Crown Zellerbach	Charles R Dahl (59)	370	18	20	—	407	31	11	Brooklyn, NY	Production
294	Crum & Forster	B P Russell (61)	424	9	25	78	536	39	10	Fort Worth, Tex	Insurance
159	CSX	Prime F Osborn III (65)	712	10	—	—	721	29	4	Greensboro, Ala	Legal

[1] For FORBES definitions and methodology see page 114.

[12] Figures are for 1979.

[15] Succeeded by Charles J. Waidelich, 4/28/81.

[16] Succeeded by Roberto C. Goizueta, 3/1/81.

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

Rank	Company	Chief executive (age)	Compensation ($000)					Years served		Place of birth	Business background
			Salary & bonus[1]	Benefits[1]	Contin-gent[1]	Stock gains[1]	Total	With co.	As CEO		
695	Cullen/Frost Bankers	Thomas C Frost (53)	204	12	—	—	**215**	31	15	San Antonio, Tex	Banking
175	Cummins Engine	Henry B Schacht (46)	478	38	166	—	**682**	16	11	Erie, Pa	Administration
348	Dana	Gerald B Mitchell (53)	473	8	—	—	**481**	37	1	Goderich, Can	Operations
109	Dart & Kraft	John M Richman (53)	678	18	159	—	**854**	26	2	New York, NY	Legal
773	Data General	Edson D deCastro (42)	156	—	—	—	**156**	13	13	Plainfield, NJ	Founder
17	Datapoint	Harold E O'Kelley (56)	333	9	97	1,882	**2,321**	8	8	Jacksonville, Fla	Technical
765	Dayton Power & Light	Robert E Frazer (52)	163	6	—	—	**169**	6	3	Detroit, Mich	Finance
164	Dayton-Hudson	William A Andres (54)	538	18	—	156	**713**	22	4	Fayette, Iowa	Retailing
449	Dean Witter Reynolds	Andrew J Melton Jr (61)	338	9	51	—	**399**	8	1	Bay Shore, NY	Investment
406	Deere	William A Hewitt (66)	410	24	—	—	**434**	32	26	San Francisco, Cal	Marketing
702	DEKALB AgResearch	Thomas H Roberts Jr (57)	181	9	22	—	**212**	32	19	DeKalb, Ill	Marketing
619	Delhi Intl Oil	Norman C Miller (61)	190	—	84	—	**274**	26	7	Lyons, Kan	Production
296	Delta Air Lines	David C Garrett Jr (58)	478	2	52	—	**533**	34	3	Norris, SC	Operations
764	Deluxe Check Printers	Eugene R Olson (55)	144	4	21	—	**169**	37	3	St Paul, Minn	Marketing
815	Deposit Guaranty	Warren A Hood (64)	70	2	11	—	**84**	3	1	Copiah County, Miss	Administration
615	Detroit Edison	William G Meese (64)	276	—	—	—	**276**	40	9	Rugby, ND	Technical
632	DETROITBANK	Rodkey Craighead (64)	255	7	—	—	**262**	35	3	Pittsburgh, Pa	Banking
549	Diamond Intl	William J Koslo (51)	305	16	—	—	**321**	26	4	Mt Carmel, Pa	Sales
121	Diamond Shamrock	William H Bricker (49)	640	15	10	166	**831**	12	4	Detroit, Mich	Marketing
290	Digital Equipment	Kenneth H Olsen (55)	344	195	—	—	**539**	23	23	Bridgeport, Conn	Founder
216	Dillingham	Herbert C Cornuelle (61)	424	39	160	—	**622**	11	4	Cincinnati, Ohio	Operations
657	Dillon Companies	Ray E Dillon, Jr (57)	235	—	12	—	**247**	34	18	Hutchinson, Kan	Administration
391	Walt Disney	E Cardon Walker (65)	258	72	16	97	**443**	43	4	Rexburg, Ida	Marketing
689	Dominion Bankshares	Byron A Hicks (64)	199	14	—	3	**217**	35	3	Moneta, Va	Finance
277	Donaldson, Lufkin	Richard H Jenrette (52)	515	—	37	—	**551**	21	7	Raleigh, NC	Founder
73	R R Donnelley & Sons	Charles W Lake Jr (63)	402	52	199	339	**992**	35	17	La Porte, Ind	Production
790	Dorchester Gas	George S Rooker (62)	141	2	—	—	**142**	25	21	Memphis, Tenn	Investment
264	Dover	[17]Thomas C Sutton (60)	415	30	116	—	**561**	30	17	Longmont, Colo	Sales
192	Dow Chemical	Paul F Oreffice (53)	442	192	—	24	**658**	28	3	Italy	Finance
205	Dow Jones	Warren H Phillips (55)	416	129	93	—	**638**	34	6	New York, NY	Journalism
540	Dravo	Robert Dickey III (63)	318	—	11	—	**329**	33	16	Pittsburgh, Pa	Sales
27	Dresser Industries	John V James (62)	353	5	915	445	**1,717**	23	11	Plains Township, Pa	Finance
646	Duke Power	Carl Horn Jr (59)	236	3	17	—	**256**	27	10	Rutherfordton, NC	Legal
30	Dun & Bradstreet	Harrington Drake (61)	600	—	14	1,030	**1,645**	33	6	Kansas City, Mo	Marketing
99	E I du Pont	[18]Irving S Shapiro (64)	697	175	—	—	**873**	30	7	Minneapolis, Minn	Legal
748	Duquesne Light	John M Arthur (58)	177	8	—	—	**184**	36	12	Pittsburgh, Pa	Operations
372	Eastern Air Lines	Frank Borman (53)	335	98	21	—	**454**	11	5	Gary, Ind	Technical
516	Eastern Gas & Fuel	William J Pruyn (58)	340	3	—	—	**343**	29	3	Boston, Mass	Finance
163	Eastman Kodak	Walter A Fallon (63)	682	6	25	—	**714**	39	9	Schenectady, NY	Production
170	Eaton	E Mandell de Windt (60)	563	25	6	108	**702**	39	11	Grt Barrington, Mass	Operations
367	Jack Eckerd	Stewart Turley (46)	339	14	106	—	**460**	14	6	Mt Sterling, Ky	Administration
21	EG&G	Bernard J O'Keefe (61)	445	21	—	1,646	**2,111**	33	16	Providence, RI	Technical
462	El Paso	Travis H Petty (60)	360	26	—	3	**389**	35	2	Clarksville, Tex	Administration
105	Emerson Electric	Charles F Knight (45)	754	28	80	—	**861**	8	7	Lake Forest, Ill	Administration
302	Emhart	T Mitchell Ford (60)	485	6	—	37	**528**	22	11	Albany, NY	Legal
15	Energy Reserves Gp	Richard W Volk (45)	184	7	24	2,123	**2,337**	8	8	Denver, Colo	Technical
5	Engelhard Minerals	Milton F Rosenthal (67)	1,825	477	1,699	—	**4,000**	16	16	New York, NY	Administration
235	ENSERCH	William C McCord (53)	400	17	41	141	**599**	32	10	San Antonio, Tex	Technical
234	Entex	Jackson C Hinds (59)	208	8	6	378	**599**	12	9	Brownsville, Tex	Legal
747	Equimark	William E Bierer (51)	178	7	—	—	**185**	12	2	Uniontown, Pa	Banking
805	Equitable Bancorp	Owen Daly II (56)	124	2	—	—	**126**	16	6	Denver, Colo	Banking

[1] For FORBES definitions and methodology see page 114.

[17] Succeeded by Gary L. Roubos, 1/1/81.

[18] Succeeded by Edward G. Jefferson, 5/1/81.

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

			Compensation ($000)					Years served			
Rank	Company	Chief executive (age)	Salary & bonus[1]	Benefits[1]	Contingent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
797	Equitable of Iowa	Kenneth R Austin (61)	135	1	—	—	136	33	11	Keosauqua, Iowa	Administration
24	Esmark	Donald P Kelly (59)	1,647	314	9	—	1,970	27	3	Chicago, Ill	Finance
444	Ethyl	Floyd D Gottwald Jr (58)	383	22	—	—	404	38	11	Richmond, Va	Administration
260	Evans Products	Monford A Orloff (67)	532	—	—	33	565	23	18	Omaha, Neb	Legal
271	Ex-Cell-O	Edward J Giblin (63)	435	100	22	—	556	27	9	New York, NY	Finance
6	Exxon	Clifton C Garvin Jr (59)	1,043	61	228	2,016	3,348	34	5	Portsmouth, Va	Technical
32	Fairchild Industries	Edward G Uhl (63)	510	44	—	1,021	1,575	20	20	Elizabeth, NJ	Administration
606	Farmers Group	Richard G Lindsley (59)	281	—	—	—	281	30	2	Minneapolis, Minn	Insurance
—	Fed-Mart	Jan W Heydorn (47)	—	—	—	—	NA	1	1	Germany	Administration
576	Federal Express	Frederick W Smith (36)	284	9	2	—	296	10	10	Marks, Miss	Founder
636	Fedl Natl Mortgage	[19]A Oakley Hunter (65)	196	18	45	—	259	11	11	Los Angeles, Cal	Legal
184	Federated Dept Stores	[20]Ralph Lazarus (67)	469	45	157	—	671	46	13	Columbus, Ohio	Administration
814	Felmont Oil	Hadley Case (72)	93	—	3	—	96	30	29	New York, NY	Technical
510	Fidelcor	Raymond J Dempsey (46)	269	18	60	—	347	2	2	Yonkers, NY	Banking
684	Fidelity Financial	Adolph C Meyer Jr (56)	206	15	—	—	220	18	12	Oakland, Cal	Sales
692	Fidelity Union Bncp	Peter Cartmell (60)	202	1	13	—	216	35	1	Scotland	Banking
772	Fin Cp Santa Barbara	David L Tilton (54)	156	2	—	—	158	29	15	Santa Barbara, Cal	Finance
531	Fin Corp of America	Charles W Knapp (47)	315	—	19	—	334	8	6	Honolulu, Haw	Finance
742	Financial Federation	Edward L Johnson (71)	188	3	—	—	191	21	21	Chicago, Ill	Finance
804	Financial General	J William Middendorf II (56)	123	—	5	—	129	4	4	Baltimore, Md	Finance
475	Firestone	John J Nevin (54)	374	—	2	—	377	1	1	Jersey City, NJ	Marketing
673	First Alabama Bshs	Frank A Plummer (69)	206	27	—	—	234	16	10	Richland, NY	Finance
663	First American	Kenneth L Roberts (48)	208	2	29	—	240	5	4	Dungannon, Va	Banking
716	First American Bank	James H Duncan (56)	207	—	—	—	208	31	11	Madison, Wisc	Banking
679	First & Merchants	C Coleman McGehee (56)	214	12	—	—	225	32	7	Franklin, Va	Banking
415	First Atlanta	Thomas R Williams (52)	300	19	29	78	426	8	5	Atlanta, Ga	Banking
487	First Bank System	Donald R Grangaard (62)	371	—	—	—	371	42	12	Rothsay, Minn	Administration
103	First Boston	George L Shinn (58)	525	—	338	—	863	6	6	Newark, Ohio	Administration
678	First Charter Finl	S Mark Taper (79)	225	—	—	—	225	25	26	England	Founder
268	First Chicago	Barry F Sullivan (50)	525†	33	—	—	558	1	1	Bronx, NY	Banking
334	First City Bancorp	James A Elkins Jr (62)	398	14	87	—	500	39	18	Galveston, Tex	Banking
778	First Empire State	Claude F Shuchter (58)	151	—	—	—	151	22	4	Chicago, Ill	Banking
817	First Florida Banks	Chester H Ferguson (72)	3[21]	—	—	—	3	9	9	Americus, Ga	Legal
501	First Hawaiian	John D Bellinger (58)	230	23	102	—	355	39	11	Honolulu, Haw	Banking
186	First Intl Bshs	Elvis L Mason (47)	439	29	143	53	664	7	1	Vivian, La	Banking
237	First Interstate[22]	Joseph J Pinola (56)	422	6	65	104	597	5	3	Pittston, Pa	Banking
677	First Kentucky Natl	A Stevens Miles (51)	219	8	—	—	227	27	6	Louisville, Ky	Banking
701	First Maryland Bncp	J Owen Cole (52)	210	2	—	—	212	24	7	Rutherfordton, NC	Administration
513	First Mississippi	J Kelley Williams (47)	263	83	—	—	346	14	9	Bentonia, Miss	Technical
719	First Natl Bancorp	Theodore D Brown (59)	182	1	24	—	206	11	4	Denver, Colo	Banking
399	First Natl Boston	Richard D Hill (61)	331	32	75	—	438	35	9	Salem, Mass	Banking
712	First Natl Charter	Gordon E Wells (53)	205	5	—	—	210	29	4	Hamburg, Iowa	Banking
710	First National Cinc	William N Liggett (64)	210	—	—	—	210	33	10	Ripley, Ohio	Finance
688	First Natl State Bcp	Robert R Ferguson Jr (57)	218	—	—	—	218	31	8	Savannah, Ga	Banking
734	First Natl Supermkts	Richard J Bogomolny (46)	197	2	—	—	199	8	6	Cleveland, Ohio	Administration
809	First Oklahoma Bncp	[23]Charles A Vose (80)	113	—	7	—	120	60	22	Clinton, Iowa	Finance
690	First Pennsylvania	George A Butler (53)	208	9	—	—	216	31	1	Westmont, NJ	Banking
603	First Security	George S Eccles (81)	256	25	—	—	282	59	35	Baker, Ore	Founder
628	First Tennessee Natl	Ronald A Terry (50)	251	15	—	—	266	24	7	Memphis, Tenn	Banking
504	First Union Bancorp	Clarence C Barksdale (49)	340	8	—	4	352	22	3	St Louis, Mo	Banking
488	First Union	C Clifford Cameron (61)	274	22	75	—	371	17	14	Meridian, Miss	Banking

†Salary annualized.

[1] For FORBES definitions and methodology see page 114.

NA: not available.

[19] Succeeded by David Q. Maxwell, 5/21/81.

[20] Succeeded by Howard Goldfeder, 2/1/81.

[21] Director's fees only; excludes fees paid to law firm of which Mr. Ferguson is a partner.

[22] Formerly Western Bancorp.

[23] Succeeded by Charles A. Vose Jr., 1/20/81.

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

			Compensation ($000)					Years served			
Rank	Company	Chief executive (age)	Salary & bonus[1]	Benefits[1]	Contingent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
586	First United Bancorp	Paul W Mason (60)	281	—	11	—	292	19	11	Wichita, Kan	Banking
715	First Wisconsin	Hal C Kuehl (58)	199	9	—	—	208	33	3	Davenport, Iowa	Banking
554	Fisher Foods	[24]Dominick DiMatteo Jr (63)	310	4	—	—	314	56	6	Chicago, Ill	Retailing
683	Flagship Banks	Philip F Searle (56)	180	—	22	20	222	6	6	Kansas City, Mo	Banking
486	Fleming Companies	Richard D Harrison (58)	317	14	40	—	371	27	15	Salt Lake City, Utah	Legal
463	Flickinger	[25]Robert F Norris (59)	333	—	56	—	389	8	6	Mullinville, Kan	Administration
816	Florida Natl Banks	[26]Richard E Ehlis (64)	73	2	—	—	75	40	1	Lancaster, Ohio	Banking
753	Florida Power	Andrew H Hines Jr (58)	169	—	12	—	181	29	8	Lake City, Fla	Technical
368	Florida Power & Lt	Marshall McDonald (63)	260	14	185	—	459	9	9	Memphis, Tenn	Finance
72	Fluor	J Robert Fluor (59)	771	16	210	—	997	35	13	Santa Ana, Cal	Finance
355	FMC	Robert H Malott (54)	464	—	12	—	476	28	9	Boston, Mass	Operations
497	Food Fair	Grant C Gentry (57)	360	—	—	—	360	2	2	Chicago, Ill	Legal
426	Ford Motor	Philip Caldwell (61)	400	7	10	—	417	28	1	Bourneville, Ohio	Administration
311	Foremost-McKesson	Thomas E Drohan (53)	408	2	18	93	520	19	3	Newton, Mass	Operations
496	Fort Howard Paper	Paul J Schierl (46)	267	39	16	39	360	17	6	Neenah, Wisc	Legal
362	Foster Wheeler	Frank A Lee (57)	268	93	104	—	465	21	10	Greenville, Pa	Technical
638	Foxboro	Earle W Pitt (58)	247	11	—	—	258	33	8	New York, NY	Sales
112	Freeport Minerals	Paul W Douglas (54)	540	17	288	—	846	28	5	Springfield, Mass	Marketing
402	Fruehauf	Robert D Rowan (59)	426	26	–16	—	436	25	7	Holland, Mich	Finance
122	Fuqua Industries	John B Fuqua (63)	805	18	—	—	823	15	15	Prince Edw Cnty, Va	Founder
40	Gannett	Allen H Neuharth (57)	521	40	83	670	1,315	18	8	Eureka, SD	Journalism
407	GATX	James J Glasser (47)	387	2	44	—	433	19	2	Chicago, Ill	Legal
582	Gearhart Industries	Marvin Gearhart (54)	252	12	29	—	294	26	6	Erie, Kan	Founder
14	GEICO	John J Byrne (48)	783	81	113	1,397	2,374	5	5	Paterson, NJ	Insurance
267	Gelco	N Bud Grossman (60)	291	11	105	152	560	24	24	Minneapolis, Minn	Founder
694	General American Oil	William P Barnes (61)	188	28	—	—	216	28	3	Marlin, Tex	Legal
9	General Dynamics	David S Lewis (63)	455	9	—	2,557	3,021	10	10	N Augusta, SC	Administration
44	General Electric	[27]Reginald H Jones (63)	1,000	52	—	151	1,203	41	8	England	Operations
150	General Foods	James L Ferguson (55)	485	9	250	—	743	18	7	Evanston, Ill	Marketing
319	General Instrument	Frank G Hickey (53)	506	8	—	—	513	16	6	Stevens Pt, Wisc	Marketing
181	General Mills	[28]E Robert Kinney (64)	540	38	96	—	674	26	5	Burnham, Me	Administration
418	General Motors	[29]Thomas A Murphy (65)	400	22	—	—	422	43	6	Hornell, NY	Finance
675	General Public Utils	William G Kuhns (59)	230	1	—	—	231	25	14	Milwaukee, Wisc	Finance
229	General Re	Harold J Hudson Jr (57)	418	5	184	—	606	25	10	Kansas City, Mo	Legal
265	General Signal	Nathan R Owen (62)	545	16	—	—	561	20	19	Burnt Hills, NY	Technical
201	General Tel & Elec	Theodore F Brophy (58)	627	17	—	—	644	23	5	New York, NY	Legal
533	Genl Tire & Rubber	Michael G O'Neil (59)	321	8	4	—	333	35	21	Akron, Ohio	Administration
640	Genuine Parts	Wilton D Looney (62)	246	12	—	—	258	42	19	Vanna, Ga	Operations
452	Georgia-Pacific	Robert E Flowerree (60)	344	18	35	—	397	29	4	New Orleans, La	Operations
95	Geosource	John D Platt (50)	360	1	—	519	880	2	2	Kingston, Pa	Technical
318	Getty Oil	Sidney R Petersen (50)	476	37	—	—	513	26	1	Oakland, Cal	Finance
546	Giant Food	Israel Cohen (68)	309	6	7	—	321	45	3	Israel	Founder
730	Gibraltar Financial	Herbert J Young (49)	201	—	—	—	201	28	12	Los Angeles, Cal	Administration
384	Gillette	Colman M Mockler Jr (51)	402	3	44	—	449	23	6	St Louis, Mo	Finance
558	Girard	William B Eagleson Jr (55)	285	—	24	—	309	29	6	Philadelphia, Pa	Finance
26	GK Technologies	Robert P Jensen (55)	1,636	115	100	—	1,851	8	8	Chicago, Ill	Technical
485	Global Marine	C Russell Luigs (48)	348	25	—	—	373	4	4	Evansville, Ind	Technical
704	Golden West Finl	[30]Herbert M Sandler (49)	212	—	—	—	212	17	17	New York, NY	Founder
455	B F Goodrich	John D Ong (47)	372	7	16	—	395	20	1	Ulrichsville, Ohio	Legal
117	Goodyear	Charles J Pilliod Jr (62)	759	—	77	—	835	40	7	Cuyahoga Falls, Ohio	Sales
279	Gould	William T Ylvisaker (57)	478	42	31	—	551	13	13	St Paul, Minn	Administration

[1] For FORBES definitions and methodology see page 114.

[24] Shares "Office of the President" with R.G. Everett & C. Fazio.

[25] Succeeded by Jerry D. Metcalf, 2/11/81.

[26] Succeeded by George C. Whitner Jr., 2/21/81.

[27] Succeeded by John F. Welch Jr., 4/1/81.

[28] Succeeded by H. Brewster Atwater Jr., 4/1/81.

[29] Succeeded by Robert B. Smith, 1/1/81.

[30] Office jointly held with Marion O. Sandler.

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

			Compensation ($000)					Years served			
Rank	Company	Chief executive (age)	Salary & bonus[1]	Benefits[1]	Contin-gent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
53	W R Grace	J Peter Grace (68)	678	71	—	365	**1,114**	44	35	Manhasset, NY	Finance
552	W W Grainger	David W Grainger (53)	277	2	37	—	**316**	31	7	Chicago, Ill	Administration
171	Great Atl & Pac Tea	James Wood (51)	700	—	—	—	**700**	1	1	England	Retailing
520	Gt Northern Nekoosa	Robert Hellendale (63)	317	—	7	16	**341**	27	2	New York, NY	Legal
382	Gt Western Financial	James F Montgomery (46)	280	3	8	158	**450**	5	2	Topeka, Kan	Finance
280	Greyhound	Gerald H Trautman (68)	430	5	113	—	**548**	35	15	Petoskey, Mich	Legal
478	Grumman	John C Bierwirth (57)	315	5	22	33	**375**	8	6	Lawrence, NY	Finance
155	Gulf & Western Inds	Charles G Bluhdorn (54)	716	7	10	—	**733**	25	25	Austria	Founder
47	Gulf Oil	Jerry McAfee (64)	742	14	40	364	**1,160**	36	5	Port Arthur, Tex	Operations
630	Gulf States Utils	W Donham Crawford (58)	242	10	12	—	**264**	3	3	Little Rock, Ark	Administration
58	Gulf United	E Grant Fitts (65)	550	45	164	305	**1,064**	13	13	Montevallo, Ala	Legal
70	Halliburton	John P Harbin (63)	603	206	194	—	**1,003**	32	9	Waxahachie, Tex	Finance
538	Hammermill Paper	Albert F Duval (60)	311	11	8	—	**330**	21	10	Holyoke, Mass	Marketing
559	Harris Bankcorp	Charles M Bliss (59)	285	23	—	—	**308**	37	3	Evanston, Ill	Banking
35	Harris Corp	Joseph A Boyd (60)	521	—	521	439	**1,481**	19	3	Oscar, Ky	Technical
434	Harsco	Jeffrey J Burdge (59)	293	4	106	6	**409**	27	4	England	Finance
608	Hartford Natl	Robert L Newell (58)	230	9	41	—	**280**	35	5	Hartford, Conn	Banking
134	H J Heinz	Anthony J F O'Reilly (45)	576	10	208	—	**794**	12	1	Ireland	Legal
562	Walter E Heller Intl	Franklin A Cole (55)	300	5	—	—	**305**	18	10	Park Falls, Wisc	Legal
760	Helmerich & Payne	Walter H Helmerich III (58)	161	8	6	—	**175**	32	20	Tulsa, Okla	Administration
232	Hercules	Alexander F Giacco (61)	525	23	38	14	**601**	39	3	Italy	Technical
450	Hershey Foods	William E C Dearden (58)	300	—	97	—	**397**	23	5	Philadelphia, Pa	Sales
189	Heublein	Hicks B Waldron (57)	581	3	78	—	**662**	8	1	Amsterdam, NY	Technical
366	Hewlett-Packard	John A Young (49)	402	1	60	—	**462**	22	3	Nampa, Ida	Technical
420	Hilton Hotels	Barron Hilton (53)	410	11	—	—	**421**	26	15	Dallas, Tex	Administration
236	Holiday Inns	[31]Roy E Winegardner (60)	382	8	207	—	**598**	7	2	Springfield, Mo	Administration
661	Homestake Mining	Harry M Conger (50)	231	9	—	—	**241**	5	2	Seattle, Wash	Technical
50	Honeywell	Edson W Spencer (55)	595	—	548	—	**1,143**	26	6	Chicago, Ill	Sales
457	George A Hormel	Ira J Holton (61)	393	1	—	—	**394**	34	9	Cedar Rapids, Iowa	Legal
445	Hospital Corp of Am	Donald S MacNaughton (63)	400	2	—	—	**402**	2	2	Schenectady, NY	Insurance
709	Hospital Trust	Henry S Woodbridge Jr (52)	209	1	—	—	**210**	26	6	Boston, Mass	Finance
140	Household Finance	Gilbert R Ellis (65)	724	47	—	—	**771**	46	8	Powersville, Mo	Operations
635	Houston Industries	Don D Jordan (49)	238	20	2	—	**260**	24	4	Corpus Christi, Tex	Legal
446	Houston Natural Gas	Robert R Herring (60)	391	—	11	—	**402**	23	13	Childress, Tex	Technical
114	Houston Oil & Min	F Fox Benton Jr (42)	297	—	34	510	**841**	14	2	Houston, Tex	Finance
12	Hughes Tool	James R Lesch (59)	418	89	65	2,058	**2,630**	34	1	Apache, Okla	Administration
284	Humana	David A Jones (49)	505	30	10	—	**545**	19	19	Louisville, Ky	Founder
584	Huntington Bshs	[32]Arthur D Herrmann (54)	271	—	—	21	**293**	30	5	Louisville, Ky	Banking
138	E F Hutton Group	Robert M Fomon (56)	760	3	23	—	**786**	30	10	Chicago, Ill	Investment
120	IC Industries	William B Johnson (62)	626	21	186	—	**832**	15	15	Salisbury, Md	Legal
731	Idaho First Natl Bk	Thomas C Frye (62)	200	—	—	—	**200**	43	11	Ontario, Ore	Banking
494	Ideal Basic Inds	John A Love (64)	225	6	131	—	**362**	7	6	Gibson City, Ill	Legal
746	Illinois Power	Wendell J Kelley (55)	175	4	7	—	**186**	31	14	Champaign, Ill	Technical
650	Imperial Corp of Am	E Michael Lallinger (65)	253	—	—	—	**253**	24	1	St. Louis, Mo	Banking
96	INA	Ralph S Saul (59)	541	50	180	109	**879**	6	6	Brooklyn, NY	Legal
621	Indiana National	[33]Thomas W Binford (57)	210	2	60	—	**271**	5	5	Indianapolis, Ind	Administration
795	Indianapolis Pwr & Lt	Zane G Todd (57)	133	2	3	—	**137**	30	5	Hanson, Ky	Operations
537	Industrial National	John J Cummings Jr (58)	294	6	32	—	**331**	34	10	Providence, RI	Finance
691	Indust Valley Bank	Joseph A Gallagher (53)	211	2	3	—	**216**	22	1	Philadelphia, Pa	Banking
796	Inexco Oil	Erving Wolf (55)	137	—	—	—	**137**	13	13	Kimball, Neb	Founder
78	Ingersoll-Rand	[34]William L Wearly (65)	796	43	35	84	**957**	18	13	Warren, Ind	Sales

[1] For FORBES definitions and methodology see page 114.

[31] Succeeded by Michael D. Rose, 5/1/81.

[32] Succeeded by Frank Wobst, 2/26/81.

[33] Succeeded by Thomas M. Miller, 4/29/81.

[34] Succeeded by Thomas A. Holmes, 1/1/81.

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

			Compensation ($000)					Years served			
Rank	Company	Chief executive (age)	Salary & bonus[1]	Benefits[1]	Contin-gent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
396	Inland Steel	Frederick G Jaicks (62)	430	—	11	—	**441**	40	9	Chicago, Ill	Production
534	Intel	Gordon E Moore (52)	296	37	—	—	**333**	12	6	San Francisco, Cal	Founder
346	Interco	William L Edwards Jr (62)	400	—	84	—	**484**	11	5	Pittsburgh, Pa	Finance
442	Interlake	Reynold C MacDonald (62)	360	24	21	—	**405**	14	12	Billings, Mont	Operations
45	IBM	[35]Frank T Cary (60)	871	303	—	—	**1,174**	33	8	Gooding, Ida	Marketing
523	Intl Flavors & Frag	Henry G Walter Jr (70)	331	8	—	—	**339**	18	18	New York, NY	Legal
37	Intl Harvester	Archie R McCardell (54)	865	65	484	—	**1,414**	3	3	Hazel Park, Mich	Finance
83	Intl Minerals & Chem	Richard A Lenon (60)	592	36	318	—	**945**	13	10	Lansing, Mich	Finance
336	Intl Multifoods	William G Phillips (61)	428	27	—	41	**497**	12	12	Cleveland, Ohio	Finance
152	International Paper	Edwin A Gee (61)	590	82	70	—	**742**	3	1	Washington, DC	Technical
46	Intl Tel & Tel	Rand V Araskog (50)	886	129	154	—	**1,170**	15	1	Fergus Falls, Minn	Administration
297	InterNorth	Sam F Segnar (53)	375	18	94	45	**532**	20	1	Hope, Ark	Technical
529	Iowa Beef Processors	Robert L Peterson (48)	325	4	8	—	**336**	10	1	Hartington, Neb	Operations
291	Irving Bank	Gordon T Wallis (61)	538	—	—	—	**538**	40	10	Salt Lake City, Utah	Finance
228	IU International	John Gilray Christy (48)	563	38	—	7	**608**	9	1	Silver Creek, NY	Finance
588	Jefferson-Pilot	W Roger Soles (60)	290	2	—	—	**292**	34	13	Whiteville, NC	Investment
135	Jewel Companies	Weston R Christopherson (56)	354	59	238	142	**793**	30	1	Walum, ND	Retailing
380	Jim Walter	James W Walter (58)	419	—	31	—	**450**	35	35	Lewes, Del	Founder
353	Johns-Manville	John A McKinney (57)	437	15	25	—	**476**	29	4	Huntsville, Tex	Legal
119	Johnson & Johnson	James E Burke (56)	579	135	120	—	**833**	28	4	Rutland, Vt	Marketing
288	Joy Manufacturing	James W Wilcock (63)	402	3	92	44	**540**	15	13	Dayton, Ohio	Marketing
377	K mart	Bernard M Fauber (58)	450	2	—	—	**452**	39	1	Botetourt Cnty, Va	Retailing
251	Kaiser Alum & Chem	Cornell C Maier (56)	580	—	—	—	**580**	31	8	Herreid, SD	Operations
456	Kaiser Steel	Roland A Kjelland (56)	385	9	—	—	**394**	31	1	Valley City, ND	Finance
98	Kaneb Services	James R Whatley (55)	371	—	503	—	**875**	26	14	Pittsburg, Tex	Administration
810	Kansas City Pwr & Lt	Arthur J Doyle (58)	117	1	—	—	**118**	8	1	Boston, Mass	Legal
358	Kellogg	William E LaMothe (54)	450	8	11	—	**469**	30	2	Brooklyn, NY	Marketing
739	Kemper	Joseph E Luecke (54)	187	5	—	—	**192**	29	2	Philadelphia, Pa	Insurance
31	Kennecott	Thomas D Barrow (56)	615	574	437	—	**1,626**	2	2	San Antonio, Tex	Technical
468	Kerr-McGee	Dean A McGee (77)	375	—	9	—	**384**	44	27	Humboldt, Kan	Production
594	Key Banks	Victor J Riley Jr (49)	268	—	18	—	**286**	17	7	Buffalo, NY	Finance
125	Kidde	Fred R Sullivan (66)	739	82	—	—	**821**	17	17	Fort Wayne, Ind	Finance
161	Kimberly-Clark	Darwin E Smith (55)	559	—	158	—	**717**	23	9	Garrett, Ind	Legal
460	Knight-Ridder News	Alvah H Chapman Jr (60)	388	4	—	—	**391**	21	5	Columbus, Ga	Administration
631	Koppers	Fletcher L Byrom (62)	250	7	6	—	**263**	33	13	Cleveland, Ohio	Production
241	Kroger	Lyle Everingham (55)	589	3	—	—	**593**	34	3	Flint, Mich	Retailing
286	Lear Siegler	Robert T Campion (60)	507	13	—	23	**544**	23	10	Minneapolis, Minn	Finance
403	Levi Strauss	Peter E Haas (62)	397	39	—	—	**436**	35	5	San Francisco, Cal	Operations
654	Libbey-Owens-Ford	Don T McKone (59)	250	—	—	—	**251**	32	2	Jackson, Mich	Administration
293	Liberty National	John W McLean (59)	173	7	40	318	**538**	13	13	Okmulgee, Okla	Banking
666	Liberty Natl Ins Hld	Frank P Samford Jr (60)	201	37	—	—	**238**	33	14	Montgomery, Ala	Legal
198	Eli Lilly	Richard D Wood (54)	499	105	—	45	**648**	31	8	Brazil, Ind	Marketing
573	Lincoln First Banks	Alexander D Hargrave (61)	267	—	31	—	**299**	18	7	Canandaigua, NY	Legal
535	Lincoln National	Ian M Rolland (48)	304	2	27	—	**333**	25	4	Ft Wayne, Ind	Insurance
258	Litton Industries	Charles B Thornton (67)	534	33	—	—	**567**	27	27	Knox County, Tex	Founder
301	Lockheed	Roy A Anderson (60)	358	18	13	139	**528**	24	3	Ripon, Cal	Finance
392	Loews	Laurence A Tisch (58)	431	12	—	—	**443**	21	20	Brooklyn, NY	Finance
431	Lone Star Industries	James E Stewart (59)	388	25	—	—	**413**	28	3	Minneapolis, Minn	Administration
755	Long Island Lighting	Charles R Pierce (59)	180	1	—	—	**181**	31	3	Bar Harbor, Me	Legal
256	Louisiana Land	John G Phillips (58)	460	57	54	—	**570**	29	9	Camden, Ark	Finance
394	Louisiana-Pacific	Harry A Merlo (56)	353	53	37	—	**442**	31	7	Stirling City, Cal	Marketing

[1] For FORBES definitions and methodology see page 114.

[35] Succeeded by John R. Opel, 1/1/81.

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

			Compensation ($000)					Years served			
Rank	Company	Chief executive (age)	Salary & bonus[1]	Benefits[1]	Contingent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
107	LTV	W Paul Thayer (61)	785	60	13	—	858	32	10	Henryetta, Okla	Sales
158	Lubrizol	Lester E Coleman (50)	374	—	229	120	723	26	3	Akron, Ohio	Technical
411	Lucky Stores	C Donley Ritchey (47)	428	—	—	—	429	29	1	Derry Township, Pa	Operations
177	M/A-Com	Dr Lawrence Gould (50)	301	219	160	—	681	27	6	Boston, Mass	Technical
285	R H Macy	Edward S Finkelstein (56)	368	20	46	111	545	32	1	New Rochelle, NY	Retailing
220	Mallinckrodt	[36]Harold E Thayer (69)	406	18	193	—	617	41	15	Rochester, NY	Administration
591	Malone & Hyde	Joseph R Hyde III (38)	288	—	—	—	288	16	12	Memphis, Tenn	Administration
243	Mfrs Hanover	John F McGillicuddy (50)	492	10	87	—	590	22	2	Harrison, NY	Legal
607	Manufacturers Natl	Dean E Richardson (53)	280	—	—	—	280	27	8	West Branch, Mich	Banking
310	MAPCO	Willis H Thompson Jr (47)	504	3	13	—	521	4	1	Minneapolis, Minn	Operations
242	Marathon Oil	Harold D Hoopman (60)	568	24	—	—	592	34	5	Lucas, Kan	Production
779	Marine	George R Slater (57)	148	3	—	—	151	5	3	Indianapolis, Ind	Banking
408	Marine Midland Bks	Edward W Duffy (55)	421	12	—	—	432	28	7	Utica, NY	Banking
331	Marriott	J Willard Marriott Jr (49)	430	14	59	—	503	25	8	Washington, DC	Administration
183	Marsh & McLennan	John M Regan Jr (60)	488	39	145	—	672	35	8	Minneapolis, Minn	Insurance
617	Marshall & Ilsley	John A Puelicher (60)	162	6	107	—	275	35	23	Milwaukee, Wisc	Banking
383	Marshall Field	Angelo R Arena (53)	439	10	—	—	449	3	3	Lynn, Mass	Retailing
97	Martin Marietta	J Donald Rauth (63)	592	109	178	—	879	40	8	Pitman, NJ	Technical
672	Maryland National	Robert D H Harvey (60)	231	—	1	1	234	35	17	Baltimore, Md	Finance
317	Masco	Richard A Manoogian (44)	496	18	—	—	514	23	13	Long Branch, NJ	Administration
245	May Dept Stores	David C Farrell (48)	438	64	86	—	588	25	2	Chicago, Ill	Retailing
484	Oscar Mayer	Jerry M Hiegel (54)	324	8	40	—	373	34	1	Davenport, Iowa	Marketing
480	MCA	Lew R Wasserman (68)	330	44	—	—	374	44	34	Cleveland, Ohio	Sales
137	McDermott	James E Cunningham (58)	666	108	13	—	787	23	2	Cresco, Iowa	Technical
436	McDonald's	Fred L Turner (48)	375	3	30	—	408	24	7	Des Moines, Iowa	Operations
422	McDonnell Douglas	Sanford N McDonnell (58)	357	49	14	—	420	32	9	Little Rock, Ark	Technical
108	McGraw-Edison	Edward J Williams (58)	481	110	185	80	856	9	8	St Louis, Mo	Finance
320	McGraw-Hill	Harold W McGraw Jr (63)	347	34	132	—	512	34	6	New York, NY	Operations
783	MCI Communications	William G McGowan (54)	142	4	3	—	149	12	12	Ashley, Pa	Technical
798	McRae Consol Oil&Gas	David Kelley (45)	119	—	16	—	135	13	1	San Antonio, Tex	Technical
347	Mead	[37]James W McSwiney (65)	475	7	—	—	482	47	1	McEwen, Tenn	Administration
563	Medtronic	Dale R Olseth (51)	242	17	31	14	303	5	5	St James, Minn	Administration
254	Mellon National	[38]James H Higgins (65)	551	11	13	—	575	30	6	Kansas City, Mo	Banking
165	Melville	Francis C Rooney Jr (59)	459	2	79	172	712	28	17	N Brookfield Mass	Retailing
528	Mercantile Bancorp	Donald E Lasater (55)	309	8	20	—	336	22	10	St Louis, Mo	Legal
424	Mercantile Stores	Leon F Winbigler (55)	399	21	—	—	419	32	6	Brookfield, Mo	Retailing
239	Mercantile Texas	Gene H Bishop (51)	329	—	26	240	594	6	6	Forest, Miss	Banking
726	Merchants National	Otto N Frenzel III (50)	202	1	—	—	203	26	8	Indianapolis, Ind	Banking
182	Merck	John J Horan (60)	569	1	103	—	673	29	5	New York, NY	Legal
80	Merrill Lynch	[39]Donald T Regan (62)	955	—	—	—	955	35	10	Cambridge, Mass	Investment
1	Mesa Petroleum	Thomas B Pickens Jr (53)	416	169	45	7,236	7,866	24	24	Holdenville, Okla	Founder
400	MGIC Investment	Max H Karl (71)	348	9	80	—	438	24	24	Milwaukee, Wisc	Founder
614	Michigan National	Stanford C Stoddard (50)	242	25	10	—	277	27	9	Salt Lake City, Utah	Finance
578	Middle South Utils	Floyd W Lewis (55)	279	16	—	—	295	31	9	Lincoln County, Miss	Legal
364	Midlantic Banks	Robert Van Buren (56)	315	15	133	—	463	10	4	Plainfield, NJ	Banking
309	Minn Mining & Mfg	Lewis W Lehr (60)	522	—	—	—	522	34	2	Elgin, Neb	Technical
207	Missouri Pacific	Downing B Jenks (65)	632	—	5	—	637	20	9	Portland, Ore	Operations
274	Mitchell Energy & Dev	George P Mitchell (62)	483	1	71	—	554	35	22	Galveston, Tex	Founder
34	Mobil	Rawleigh Warner Jr (60)	1,455	26	—	—	1,481	27	11	Chicago, Ill	Finance
390	Monsanto	John W Hanley (59)	433	15	–5	—	444	8	8	Parkersburg, W Va	Marketing
238	J P Morgan	Lewis T Preston (54)	595	—	—	—	595	30	1	New York, NY	Banking

[1] For FORBES definitions and methodology see page 114.

[36] Succeeded by Raymond F. Bentele, 2/10/81.
[37] Succeeded by C. Greene Garner, 1/1/81.
[38] Succeeded by J. David-Barnes, 3/1/81.
[39] Succeeded by Roger E. Birk, 1/22/81.

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

			Compensation ($000)					Years served			
Rank	Company	Chief executive (age)	Salary & bonus[1]	Benefits[1]	Contin-gent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
448	Morrison-Knudsen	William H McMurren (53)	334	—	65	—	399	26	9	Ontario, Ore	Operations
799	Motorola	Robert W Galvin (58)	125	10	—	—	135	37	21	Marshfield, Wisc	Administration
472	Murphy Oil	Charles H Murphy Jr (61)	284	—	95	—	380	31	31	El Dorado, Ark	Founder
281	Nabisco	Robert M Schaeberle (58)	429	—	118	—	547	34	7	Newark, NJ	Finance
298	Nalco Chemical	Orell T Collins (58)	353	24	153	—	530	25	2	Letcher County, Ky	Sales
157	National Can	Frank W Considine (59)	428	35	28	232	724	19	8	Chicago, Ill	Sales
707	Natl Central Financl	Wilson D McElhinny (51)	172	—	30	9	210	17	6	Detroit, Mich	Banking
467	National City	[40]Claude M Blair (68)	220	—	151	15	386	14	9	Columbia, Tenn	Legal
75	National Distillers	Drummond C Bell (65)	457	—	87	444	988	24	10	Baltimore, Md	Finance
423	National Gypsum	Robert E Scifres (63)	390	9	1	19	419	39	3	Lafayette, Ind	Operations
16	Natl Medical Entrprs	Richard K Eamer (53)	443	273	—	1,620	2,337	12	12	Long Beach, Cal	Founder
652	Natl Semiconductor	Charles E Sporck (53)	210	6	36	—	252	14	14	Saranac Lake, NY	Production
482	National Steel	Howard M Love (51)	350	15	8	—	373	25	1	Pittsburgh, Pa	Operations
733	National Tea	Valdyn W Schulz (52)	199	—	—	—	199	7	5	Edgeley, ND	Administration
758	Nationwide	Dean W Jeffers (64)	176	—	1	—	177	41	9	Woodsfield, Ohio	Marketing
328	Natomas	Dorman L Commons (63)	478	30	—	—	508	8	7	Denair, Cal	Finance
440	NBD Bancorp	Robert M Surdam (63)	401	5	—	—	407	34	13	Albany, NY	Finance
507	NCNB	Thomas I Storrs (62)	331	15	—	2	348	20	7	Nashville, Tenn	Banking
148	NCR	William S Anderson (62)	535	2	168	41	746	35	7	China	Marketing
744	New England Electric	Guy W Nichols (55)	183	3	2	—	188	33	9	Colchester, Vt	Administration
725	New England Merch	Roderick M MacDougall (55)	200	3	—	—	203	7	2	New York, NY	Banking
793	N Y State Elec & Gas	Charles F Kennedy (66)	140	—	—	—	140	7	4	Elmira, NY	Technical
375	Newmont Mining	Plato Malozemoff (71)	450	—	3	—	452	35	27	Russia	Administration
749	Niagara Mohawk Pwr	John G Haehl Jr (58)	177	—	5	—	183	19	8	Brooklyn, NY	Finance
270	NICOR	Clarence J Gauthier (59)	392	105	60	—	557	35	10	Houghton, Mich	Technical
8	NL Industries	Ray C Adam (61)	662	22	247	2,162	3,093	9	6	Aquilla, Tex	Administration
453	NLT	Russell L Wagner (65)	377	18	—	—	395	41	3	Marengo, Iowa	Insurance
427	Noble Affiliates	Roy Butler (55)	270	14	—	132	415	25	1	Rising Star, Tex	Operations
312	Norfolk & Western Ry	John P Fishwick (64)	486	21	12	—	519	35	11	Roanoke, Va	Legal
344	North Amer Philips	Pieter C Vink (61)	475	10	—	—	485	16	12	The Netherlands	Marketing
713	Northeast Utilities	Lelan F Sillin Jr (63)	209	—	—	—	209	13	11	Tampa, Fla	Legal
627	No Calif Savings	Firmin A Gryp (53)	215	—	—	51	266	29	11	Monterey, Cal	Administration
777	No Indiana Pub Svc	Edmund A Schroer (53)	152	—	—	—	152	4	4	Hammond, Ind	Legal
723	No States Power	Donald W McCarthy (59)	201	3	—	—	204	33	4	Minneapolis, Minn	Operations
214	Northern Trust	[41]E Norman Staub (65)	326	47	250	—	624	27	2	Newark, NJ	Banking
81	Northrop	Thomas V Jones (60)	932	18	3	—	953	27	21	Pomona, Cal	Administration
570	Northwest Airlines	M Joseph Lapensky (62)	300	—	—	—	300	36	2	Minneapolis, Minn	Finance
569	Northwest Bancorp	Chester C Lind (62)	284	—	17	—	301	45	1	Firesteel, SD	Banking
263	Northwest Energy	John G McMillian (54)	504	22	37	—	564	8	7	Orange City, Tex	Administration
352	Northwest Industries	Ben W Heineman (67)	439	38	—	—	476	25	25	Wausau, Wisc	Legal
763	Northwestern Finl	Ben T Craig (48)	167	4	—	—	171	3	3	Gastonia, NC	Finance
357	Norton	Donald R Melville (54)	308	14	—	151	473	14	1	England	Marketing
33	Norton Simon	David J Mahoney (58)	933	265	300	—	1,498	14	11	New York, NY	Marketing
132	Occidental Petroleum	Armand Hammer (83)	690	22	87	—	799	23	23	New York, NY	Finance
57	Ogden	Ralph E Ablon (65)	840	12	227	—	1,080	26	19	Tupelo, Miss	Administration
664	Ohio Casualty	John G Sloneker (59)	205	14	21	—	240	33	2	Hamilton, Ohio	Insurance
786	Ohio Edison	Justin T Rogers Jr (51)	148	—	—	—	148	22	1	Sandusky, Ohio	Legal
789	Oklahoma Gas & Elec	James G Harlow Jr (47)	135	10	—	—	144	20	5	Oklahoma City, Okla	Finance
589	Old Kent Financial	Richard M Gillett (57)	207	6	39	39	290	23	17	Grand Rapids, Mich	Administration
641	Old Stone	Theodore W Barnes (50)	189	31	37	—	256	33	5	Providence, RI	Banking
197	Olin	John M Henske (58)	537	15	84	14	650	12	3	Omaha, Neb	Operations

[1] For FORBES definitions and methodology see page 114.

[40] Succeeded by Julien L. McCall, 1/1/81.

[41] Succeeded by Philip W.K. Sweet Jr., 3/17/81.

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

Rank	Company	Chief executive (age)	Compensation ($000) Salary & bonus[1]	Benefits[1]	Contin-gent[1]	Stock gains[1]	Total	Years served With co.	As CEO	Place of birth	Business background
568	Overseas Shipholding	Morton P Hyman (45)	301	—	—	—	301	11	9	New York, NY	Legal
536	Owens-Corning Fbrgls	William W Boeschenstein (55)	319	1	12	—	332	30	8	Chicago, Ill	Marketing
94	Owens-Illinois	Edwin D Dodd (62)	613	107	170	—	890	34	8	Point Pleasant, W Va	Production
376	PACCAR	Charles M Pigott (52)	[illegible]	—	10	—	452	25	13	Seattle, Wash	Administration
612	Pacific Gas & Elec	Frederick W Mielke Jr (60)	270	8	—	—	278	30	2	New York, NY	Legal
561	Pacific Lighting	Paul A Miller (56)	298	10	—	—	308	32	12	San Francisco, Cal	Finance
601	Pacific Lumber	Robert B Hoover (65)	224	—	59	—	283	41	5	Fresno, Cal	Sales
740	Pacific Pwr & Lt	Don C Frisbee (57)	191	1	—	—	192	27	15	San Francisco, Cal	Finance
470	Paine Webber	Donald B Marron (46)	381	—	—	—	381	22	1	Goshen, NY	Investment
560	Pall	Abraham Kransoff (61)	235	13	60	—	308	30	12	Newark, NJ	Finance
435	Pan Am World Airways	William T Seawell (63)	298	20	90	—	409	9	9	Pine Bluff, Ark	Operations
365	Panhandle Eastern	Richard L O'Shields (54)	337	8	17	101	463	21	11	Ozark, Ark	Production
785	Parker Drilling	Robert L Parker (57)	148	—	—	—	148[12]	34	27	Tulsa, Okla	Technical
491	Parker-Hannifin	Patrick S Parker (51)	343	26	—	—	369	28	9	Cleveland, Ohio	Administration
143	Parsons	William E Leonhard (66)	469	14	286	—	768	14	5	Middletown, Pa	Technical
370	Peabody Intl	John E McConnaughy Jr (52)	247	28	57	125	456	12	12	Pittsburgh, Pa	Finance
29	Penn Central	Richard Dicker (67)	1,448	—	200	—	1,648	2	2	New York, NY	Investment
322	PennCorp Financial	[42]Stanley Beyer (49)	405	2	105	—	511	30	8	New York, NY	Insurance
314	J C Penney	Donald V Seibert (57)	500	—	16	—	516	33	6	Hamilton, Ohio	Retailing
780	Pa Power & Light	Robert K Campbell (51)	150	—	—	—	150	4	2	Chicago, Ill	Technical
564	Pennwalt	Edwin E Tuttle (54)	302	1	—	—	303	30	3	Syracuse, NY	Finance
74	Pennzoil	J Hugh Liedtke (59)	491	93	405	—	989	25	18	Tulsa, Okla	Legal
555	Peoples Energy	Orval C Davis (61)	287	—	27	—	313	34	3	Roseclare, Ill	Technical
71	PepsiCo	Donald M Kendall (60)	660	5	334	—	999	34	18	Sequim, Wash	Marketing
257	Perkin-Elmer	Robert H Sorensen (60)	170	—	197	201	568	21	3	Racine, Wisc	Technical
124	Petro-Lewis	Jerome A Lewis (54)	284	2	18	518	822	13	13	Wichita, Kan	Founder
147	Petrolane	Rudolph J Munzer (63)	403	18	—	327	748	34	24	Minneapolis, Minn	Sales
433	Petrolite	Ellis L Brown (65)	354	—	1	55	410	15	15	Duncan, Okla	Technical
223	Pfizer	Edmund T Pratt Jr (54)	583	19	—	12	614	16	8	Savannah, Ga	Finance
335	Phelps Dodge	George B Munroe (59)	371	19	75	33	497	23	11	Joliet, Ill	Legal
727	Phila Electric	James L Everett (54)	203	—	—	—	203	31	3	Charlotte, NC	Technical
616	Philadelphia Natl	G Morris Dorrance Jr (58)	276	—	—	—	276	29	12	Philadelphia, Pa	Finance
363	Phila Suburban	James M Ballengee (58)	403	59	2	—	464	19	12	Charleston, W Va	Legal
144	Philip Morris	George Weissman (61)	750	12	—	—	761	29	2	New York, NY	Marketing
133	Phillips Petroleum	William C Douce (61)	350	23	425	—	798	39	1	Kingman, Kan	Operations
249	Pillsbury	William H Spoor (58)	484	23	75	—	582	31	8	Pueblo, Colo	Operations
668	Pioneer	K Bert Watson (56)	238	4	–6	—	236	28	8	Ranger, Tex	Legal
752	Pioneer Hi-Bred Intl	[43]Dr William L Brown (67)	182	—	—	—	182	36	5	Arbovale, W Va	Technical
338	Pitney Bowes	Fred T Allen (64)	385	—	107	—	492	42	7	Providence, RI	Operations
473	Pittsburgh National	Merle E Gilliand (59)	355	—	24	—	379	28	11	Pitcairn, Pa	Finance
39	Pittston	Nicholas T Camicia (65)	485	37	76	741	1,339	12	11	Welch, W Va	Operations
590	Pogo Producing	William C Liedtke Jr (56)	248	40	—	—	289	11	3	Tulsa, Okla	Operations
567	Polaroid	William J McCune Jr (66)	299	—	3	—	302	41	1	Glens Falls, NY	Technical
800	Portland Genl Elec	Robert H Short (56)	127	2	4	—	133	26	1	Klamath Falls, Ore	Finance
115	Potlatch	Richard B Madden (52)	448	8	8	375	838	10	10	Orange, NJ	Finance
671	Potomac Elec Power	W Reid Thompson (56)	231	3	—	—	234	10	10	Durham, NC	Legal
305	PPG Industries	L Stanton Williams (61)	447	65	12	—	524	35	2	Honolulu, Haw	Finance
388	Prime Computer	Kenneth G Fisher (50)	418	27	—	—	445	5	5	Omaha, Neb	Marketing
154	Procter & Gamble	[44]Edward G Harness (62)	584	37	119	—	740	41	7	Marietta, Ohio	Marketing
791	Provident Life & Acc	H Carey Hanlin (56)	142	—	—	—	142	32	2	Chattanooga, Tenn	Insurance
521	Provident National	Roger S Hillas (54)	251	—	—	89	340	30	7	Wyncote, Pa	Finance

[1] For FORBES definitions and methodology see page 114.

[12] Figures are for 1979.
[42] Office jointly held with Burton Borman.
[43] Succeeded by Thomas N. Urban, 1/27/81
[44] Succeeded by John G. Smale, 1/5/81

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

Rank	Company	Chief executive (age)	Compensation ($000) Salary & bonus[1]	Benefits[1]	Contin-gent[1]	Stock gains[1]	Total	Years served With co.	As CEO	Place of birth	Business background
781	Public Service Colo	Richard F Walker (57)	150	—	—	—	150	31	2	Alliance, Neb	Technical
769	Public Service Ind	Hugh A Barker (55)	160	2	—	—	162	22	4	Stillwater, Minn	Finance
812	Public Service N H	William C Tallman (61)	110	—	—	—	110	35	16	Newton, Mass	Technical
681	Public Service N M	Jerry D Geist (47)	203	1	20	—	224	21	5	Raton, NM	Technical
653	Pub Svc Elec & Gas	Robert I Smith (62)	234	17	—	—	251	40	5	Arlington, NJ	Technical
342	Quaker Oats	Robert D Stuart Jr (65)	440	7	44	—	491	34	14	Hubbard Woods, Ill	Marketing
397	Rainier Bancorp	G Robert Truex Jr (57)	250	2	54	135	441	7	7	Red Bank, NJ	Banking
168	Ralston Purina	[45]R Hal Dean (65)	550	36	123	—	709	42	13	Mitchell, SD	Operations
670	Raychem	Paul M Cook (57)	234	—	—	—	234	24	24	Ridgewood, NJ	Founder
272	Raytheon	Thomas L Phillips (57)	552	3	—	—	555	33	12	Turkey	Technical
77	RCA	[46]Edgar H Griffiths (60)	585	18	220	134	957	32	4	Philadelphia, Pa	Finance
193	Reading & Bates	John W Bates Jr (61)	296	204	157	—	656	35	14	Spirit Lake, Iowa	Administration
63	Reliance Group	Saul P Steinberg (41)	1,007	34	5	—	1,047	20	20	New York, NY	Founder
326	Republic New York	Walter H Weiner (50)	496	1	12	—	509	1	1	New York, NY	Legal
404	Republic of Texas	James D Berry (60)	359	6	72	—	436	31	4	Sapulpa, Okla	Banking
313	Republic Steel	William J De Lancey (65)	479	38	—	—	518	29	7	Chicago, Ill	Administration
304	Revco D S	Sidney Dworkin (60)	219	97	209	—	525	25	14	Detroit, Mich	Founder
56	Revlon	Michel C Bergerac (49)	1,083	2	5	—	1,090	6	6	France	Administration
160	Rexnord	Robert V Krikorian (61)	350	—	368	—	718	30	1	New Haven, Conn	Operations
88	R J Reynolds Inds	J Paul Sticht (63)	705	3	124	80	913	8	3	Clairton, Pa	Marketing
123	Reynolds Metals	David P Reynolds (66)	455	1	367	—	823	44	5	Bristol, Tenn	Marketing
458	Richardson-Vicks	John S Scott (55)	340	21	31	—	392	30	5	West Orange, NJ	Marketing
662	Riggs Natl Bank	Vincent C Burke Jr (58)	240	—	—	—	240	26	5	Louisville, Ky	Banking
503	Roadway Express	William F Spitznagel (54)	323	1	29	—	354	31	3	Fairfield, Ala	Operations
10	Rockwell Intl	Robert Anderson (60)	865	19	920	1,164	2,967	13	7	Columbus, Neb	Technical
172	Rohm & Haas	Vincent L Gregory Jr (58)	549	8	137	—	694	31	10	Oil City, Pa	Finance
505	Rollins	O Wayne Rollins (69)	350	—	—	—	350	33	33	Ringgold, Ga	Founder
634	ROLM	M Kenneth Oshman (40)	260	—	—	—	260	12	12	Kansas City, Mo	Founder
19	Rowan Companies	C Robert Palmer (46)	200	—	1	2,064	2,265	28	9	Gorman, Tex	Technical
200	Ryder System	Leslie O Barnes (64)	305	16	91	232	644	5	5	Canisteo, NY	Administration
60	Sabine	Ashley H Priddy (59)	250	38	—	769	1,057	32	12	Wichita Falls, Tex	Technical
518	Safeco	Roland M Trafton (61)	266	—	26	50	342	28	2	Los Angeles, Cal	Finance
525	Safeway Stores	Peter A Magowan (39)	325	—	13	—	338	13	1	New York, NY	Administration
51	St Joe Minerals	John C Duncan (60)	413	37	117	557	1,123	10	9	New York, NY	Operations
499	St Paul Companies	Carl B Drake Jr (61)	332	1	25	—	358	39	8	St Paul, Minn	Insurance
255	St Regis Paper	William R Haselton (56)	348	171	52	—	571	28	2	Glens Falls, NY	Operations
756	San Diego Gas & Elec	Robert E Morris (59)	175	—	5	—	180	15	5	Parsons, Kan	Marketing
643	Sanders Associates	Jack L Bowers (60)	227	4	25	—	256	4	2	Colorado Springs, Colo	Administration
208	Santa Fe Industries	John S Reed (64)	570	3	59	—	632	41	8	Chicago, Ill	Operations
149	Santa Fe Intl	Edfred L Shannon Jr (55)	315	31	26	374	746	27	18	Durant, Okla	Technical
185	Schering-Plough	Richard J Bennett (64)	588	33	46	—	667	34	2	Brooklyn, NY	Legal
179	Schlumberger	Jean Riboud (61)	500	175	—	—	675	30	16	France	Legal
153	SCM	Paul H Elicker (58)	589	3	150	—	742	24	9	New York, NY	Finance
438	Scott Paper	Charles D Dickey Jr (63)	398	2	8	—	407	34	10	New York, NY	Operations
476	Seafirst	William M Jenkins (62)	323	26	28	—	376	35	18	Sultan, Wash	Banking
102	G D Searle	Donald H Rumsfeld (48)	441	425	—	—	866	4	4	Chicago, Ill	Investment
233	Sears Roebuck	Edward R Telling (62)	601	—	—	—	601	35	3	Danville, Ill	Retailing
656	Seatrain Lines	Howard M Pack (63)	200	41	7	—	247	30	30	New York, NY	Founder
282	Security Pacific	Richard J Flamson III (52)	537	10	—	—	546	26	2	Los Angeles, Cal	Banking
682	SEDCO	B Gill Clements (39)	207	12	3	—	223	12	2	Dallas, Tex	Finance
674	Shawmut	John P LaWare (53)	192	—	40	—	231	2	1	Columbus, Wisc	Banking

[1] For FORBES definitions and methodology see page 114.

[45] To be succeeded by William P. Stiritz, 7/1/81.

[46] Succeeded by Thornton F. Bradshaw, 7/1/81.

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WHO GETS THE MOST PAY

			Compensation ($000)					Years served			
Rank	Company	Chief executive (age)	Salary & bonus[1]	Benefits[1]	Contin-gent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
474	Shearson Loeb Rhoades	Sanford I Weill (48)	352	—	26	—	378	21	7	New York, NY	Founder
25	Shell Oil	John F Bookout (58)	740	63	143	960	1,905	30	5	Shreveport, La	Technical
162	Sherwin-Williams	John G Breen (46)	534	13	11	160	717	2	2	Cleveland, Ohio	Operations
813	Sigmor	Tom E Turner (67)	100	—	—	—	100	29	29	Ft Worth, Tex	Founder
145	Signal Companies	Forrest N Shumway (54)	460	57	242	—	760	24	13	Skowhegan, Me	Legal
374	Singer	Joseph B Flavin (52)	453	—	—	—	453	5	5	St Louis, Mo	Finance
369	Smith International	Jerry W Neely (44)	440	5	13	—	458	15	4	Torrance, Cal	Operations
354	SmithKline	Robert F Dee (56)	438	20	18	—	476	32	9	Cincinnati, Ohio	Administration
459	Society	J Maurice Struchen (60)	306	16	35	35	392	11	5	Cleveland, Ohio	Banking
788	So Carolina E & G	Virgil C Summer (60)	140	2	4	—	147	43	1	Spartanburg, SC	Operations
579	South Carolina Natl	[47]John H Lumpkin (65)	150	25	120	—	295	16	12	Fairbanks, Alas	Finance
613	Southeast Banking	Charles J Zwick (54)	253	6	—	18	278	12	1	Plantsville, Conn	Finance
775	Southern Bancorp Ala	Wallace D Malone Jr (44)	152	—	—	—	152	22	1	Dothan, Ala	Banking
660	So Calif Edison	William R Gould (62)	225	12	7	—	244	33	1	Provo, Utah	Technical
571	Southern Company	Alvin W Vogtle Jr (62)	288	11	—	—	300	40	11	Birmingham, Ala	Legal
644	So Natural Resources	Henry C Goodrich (61)	253	3	—	—	256	1	1	Fayetteville, Tenn	Technical
711	So New England Tel	Alfred W Van Sinderen (57)	194	5	10	—	210	33	13	Brooklyn, NY	Operations
156	Southern Pacific	Benjamin F Biaggini (65)	625	—	12	91	727	44	13	New Orleans, La	Technical
550	Southern Railway	Harold H Hall (55)	270	1	50	—	320	38	1	Andrews, NC	Operations
337	Southland	John P Thompson (55)	429	31	34	—	494	32	20	Dallas, Tex	Finance
13	Southland Royalty	Jon Brumley (42)	298	39	26	2,018	2,380	14	7	Pampa, Tex	Administration
585	Southwest Bancshs	John T Cater (45)	280	2	10	—	292	4	4	Temple, Tex	Banking
91	Sperry	J Paul Lyet (64)	595	43	70	192	900	37	8	Philadelphia, Pa	Finance
324	Square D	Mitchell P Kartalia (68)	500	—	—	10	510	40	13	Yukon, Pa	Marketing
323	Squibb	Richard M Furlaud (58)	520	—	—10	—	510	25	15	New York, NY	Legal
278	A E Staley Mfg	Donald E Nordlund (59)	425	7	119	—	551	25	8	Stromsburg, Neb	Administration
76	Standard Brands	F Ross Johnson (49)	555	16	391	—	963	10	5	Winnipeg, Can	Finance
84	Standard Oil Calif	[48]Harold J Haynes (55)	935	1	—	—	936	34	7	Fort Worth, Tex	Production
11	Standard Oil Ind	John E Swearingen (62)	680	31	—	2,207	2,917	42	20	Columbia, SC	Production
59	Standard Oil Ohio	Alton W Whitehouse Jr (53)	486	23	131	423	1,062	12	3	Albany, NY	Legal
645	State Street Boston	William S Edgerly (54)	251	5	—	—	256	5	5	Lewiston, Me	Finance
465	Stauffer Chemical	H Barclay Morley (52)	294	2	91	—	387	18	7	Sydney, Can	Technical
379	Sterling Drug	Dr W Clarke Wescoe (61)	420	7	23	—	451	11	7	Allentown, Pa	Technical
417	J P Stevens	Whitney Stevens (55)	350	14	—	59	423	33	1	Plainfield, NJ	Administration
598	Stop & Shop	Avram J Goldberg (51)	282	2	—	—	284	23	2	Boston, Mass	Legal
62	Storage Technology	Jesse I Aweida (50)	550	2	500	—	1,052	11	11	Palestine	Founder
806	Sumitomo Bank Cal	Nimei Akamatsu (52)	113	9	—	—	122	8	2	Japan	Banking
732	Sun Banks of Florida	Richard F Livingston (61)	200	—	—	—	200	40	7	Daytona Beach, Fla	Banking
82	Sun Company	Theodore A Burtis (59)	572	22	271	83	949	14	2	Jamaica, NY	Technical
604	Sunbeam	Robert P Gwinn (74)	279	2	—	—	281	45	26	Anderson, Ind	Sales
385	Sundstrand	Evans W Erikson (54)	350	25	73	—	448	29	1	Rockford, Ill	Technical
517	Super Valu Stores	[49]Jack J Crocker (56)	342	1	—	—	343	8	8	Portland, Ore	Retailing
213	Superior Oil	Joseph E Reid (52)	601	24	—	—	625	8	1	Meridian, Miss	Technical
409	Supermarkets General	Herbert Brody (66)	422	4	6	—	432	25	1	Philadelphia, Pa	Founder
544	Supron Energy	Alvin M Wiederkehr (58)	304	13	7	—	324	29	9	Freer, Tex	Operations
605	Sysco	John F Baugh (65)	281	—	—	—	281	35	11	Waco, Tex	Founder
808	Tandem Computers	James G Treybig (40)	120	—	—	—	120	6	6	Clarendon, Tex	Founder
266	Tandy	[50]Phil R North (62)	500	60	—	—	560	15	2	Fort Worth, Tex	Administraton
625	Tektronix	Earl Wantland (49)	201	14	21	32	268	26	6	Bridge, Ore	Administration
807	Tele-Communications	John C Malone (40)	120	—	—	—	121	8	8	Milford, Conn	Administration
191	Teledyne	Henry E Singleton (64)	650	9	—	—	659	20	20	Haslet, Tex	Founder

[1] For FORBES definitions and methodology see page 114.

[47] Succeeded by James G. Lindley, 2/1/81.

[48] Succeeded by George M. Keller, 5/5/81.

[49] To be succeeded by Michael W. Wright, 6/26/81.

[50] To be succeeded by John V. Roach, 7/1/81.

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

			Compensation ($000)					Years served			
Rank	Company	Chief executive (age)	Salary & bonus[1]	Benefits[1]	Contin-gent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
332	Teleprompter	Jack K Cooke (69)	500	—	—	—	**500**	15	9	Hamilton, Can	Administration
69	Tenneco	James L Ketelsen (50)	556	11	441	—	**1,009**	14	2	Davenport, Iowa	Finance
728	Tenn Valley Bancorp	William F Earthman (55)	168	27	7	—	**201**	27	9	Nashville, Tenn	Finance
188	Tesoro Petroleum	Robert V West Jr (60)	556	12	95	—	**663**	25	16	Kansas City, Mo	Founder
86	Texaco	John K McKinley (61)	783	144	—	—	**927**	40	1	Tuscaloosa, Ala	Technical
651	Texas American Bshs	Lewis H Bond (59)	242	—	11	—	**253**	29	18	Ashport, Tenn	Banking
173	Texas Commerce Bshs	Ben F Love (56)	467	18	199	—	**684**	14	8	Vernon, Tex	Finance
432	Texas Eastern	I David Bufkin (59)	300	48	62	—	**410**	32	1	Haynesville, La	Technical
204	Texas Gas Transmn	Dennis R Hendrix (41)	454	19	—	166	**638**	8	3	Selmer, Tenn	Finance
131	Texas Instruments	Mark Shepherd Jr (58)	558	217	26	—	**802**	33	12	Dallas, Tex	Technical
461	Texas Oil & Gas	William L Hutchison (49)	390	—	—	—	**390**	23	5	Dallas, Tex	Legal
642	Texas Utilities	T Louis Austin Jr (62)	244	12	—	—	**256**	28	8	Trenton, Tenn	Production
118	Texasgulf	[51]Charles F Fogarty (60)	440	104	64	227	**835**	29	7	Denver, Colo	Technical
393	Textron	Robert P Straetz (59)	366	36	35	6	**443**	35	1	Hillside, NJ	Sales
766	Third National	Charles J Kane (61)	157	5	4	—	**166**	6	5	Louisville, Ky	Banking
64	Tidewater	John P Laborde (58)	417	12	56	540	**1,025**	25	5	Marksville, La	Legal
166	Tiger International	Wayne M Hoffman (58)	456	106	149	—	**711**	13	10	Chicago, Ill	Legal
371	Time Inc	J Richard Munro (50)	373	38	2	43	**455**	23	1	Syracuse, NY	Operations
253	Times Mirror	[52]Franklin D Murphy (65)	474	104	—	—	**578**	12	12	Kansas City, Mo	Administration
553	Timken	William R Timken Jr (42)	315	—	—	—	**315**	18	6	Canton, Ohio	Administration
774	Toledo Edison	John P Williamson (59)	146	5	4	—	**155**	30	8	Cleveland, Ohio	Finance
802	Tom Brown	Thomas C Brown (54)	101	28	—	—	**129**	25	25	Akron, Ohio	Founder
479	Tosco	Morton M Winston (50)	301	31	42	—	**375**	17	5	New York, NY	Legal
526	Trans World	L Edwin Smart (57)	228	1	107	1	**337**	14	4	Columbus, Ohio	Legal
128	Transamerica	[53]John R Beckett (63)	795	19	—	—	**814**	20	15	San Francisco, Cal	Administration
43	Transco Companies	William J Bowen (59)	383	37	—	789	**1,209**	6	6	Sweetwater, Tex	Operations
669	TRANSOHIO Financial	Warner B Bishop (62)	214	3	18	—	**235**	18	18	Lakewood, Ohio	Administration
295	Travelers	[54]Morrison H Beach (64)	512	9	12	—	**533**	41	8	Winsted, Conn	Insurance
697	Trust Co of Georgia	Robert Strickland (54)	187	—	28	—	**215**	32	4	Atlanta, Ga	Banking
187	TRW	Ruben F Mettler (57)	642	22	—	—	**664**	26	3	Shafter, Cal	Technical
767	Tucson Electric Pwr	Theodore M Welp (47)	144	20	—	—	**164**	7	5	San Francisco, Cal	Finance
566	Turner Construction	Walter B Shaw (61)	289	—	13	—	**302**	40	4	New York, NY	Operations
66	Twentieth Century-Fox	Dennis C Stanfill (54)	994	23	—	—	**1,017**	11	9	Centerville, Tenn	Finance
629	Tymshare	Thomas J O'Rourke (57)	263	3	—	—	**266**	15	15	Red Lodge, Mont	Founder
492	U S Air	Edwin I Colodny (55)	272	5	—	88	**364**	23	5	Burlington, Vt	Legal
500	UAL	Richard J Ferris (45)	345	13	—	—	**358**	9	2	Sacramento, Cal	Administration
413	Union Camp	Peter J McLaughlin (52)	301	—	128	—	**428**	35	1	New York, NY	Finance
151	Union Carbide	William S Sneath (55)	732	11	—	—	**743**	30	4	Buffalo, NY	Finance
784	Union Commerce	Lyman H Treadway (51)	149	—	—	—	**149**	11	2	Cleveland, Ohio	Banking
658	Union Electric	Charles J Dougherty (62)	241	4	—	—	**246**	40	13	Clayton, Mo	Legal
7	Union Oil California	Fred L Hartley (64)	876	370	463	1,419	**3,129**	42	16	Vancouver, Can	Technical
79	Union Pacific	James H Evans (61)	935	10	10	—	**955**	12	3	Lansing, Mich	Administration
595	Uniroyal	Joseph P Flannery (49)	265	21	—	—	**286**	22	1	Lowell, Mass	Marketing
626	United Bank Corp NY	Peter D Kiernan (57)	256	6	5	—	**268**	7	7	Albany, NY	Insurance
761	United Banks of Colo	N Berne Hart (51)	147	—	26	—	**173**	27	2	Denver, Colo	Banking
247	United Brands	Seymour Milstein (60)	584	3	—	—	**587**	6	4	New York, NY	Operations
351	Utd Energy Resources	J Hugh Roff Jr (49)	402	60	16	—	**477**	7	7	Wewoka, Okla	Legal
811	United Jersey Banks	[55]Richard L Wines (43)	117	—	—	—	**117**	10	1	New York, NY	Banking
676	United Missouri Bshs	R Crosby Kemper (54)	206	4	17	—	**228**	31	11	Kansas City, Mo	Administration
466	U S Bancorp	John A Elorriaga (57)	321	16	—	50	**386**	30	6	Jordan Valley, Ore	Administration
447	U S Fidelity & Gty	Jack Moseley (50)	220	—	—	180	**401**	28	1	Birmingham, Ala	Insurance

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[1] For FORBES definitions and methodology see page 114.

[51] Deceased, succeeded by Richard D. Mollison, 2/12/81.

[52] Succeeded by Robert F. Erburu, 1/1/81.

[53] Succeeded by James R. Harvey, 1/1/81.

[54] Succeeded by Edward H. Budd, 4/6/81.

[55] Succeeded by T. Joseph Semrod, 4/2/81.

BEST AVAILABLE COPY

WHO GETS THE MOST PAY

			Compensation ($000)					Years served			
Rank	Company	Chief executive (age)	Salary & bonus[1]	Benefits[1]	Contin-gent[1]	Stock gains[1]	Total	With co.	As CEO	Place of birth	Business background
67	United States Gypsum	Graham J Morgan (63)	497	—	13	504	1,014	41	16	Aurora, Ill	Marketing
306	U S Home	Guy R Odom (50)	369	17	138	—	524	20	4	Groveton, Tex	Operations
327	U S Industries	[56]I John Billera (68)	496	13	—	—	509	28	16	New York, NY	Finance
211	United States Steel	David M Roderick (57)	609	1	17	—	628	22	2	Pittsburgh, Pa	Finance
495	United States Trust	[57]Tom Killefer (64)	226	134	—	—	361	5	5	Los Angeles, Cal	Finance
22	United Technologies	Harry J Gray (61)	915	71	342	734	2,063	9	8	Milledgeville, Ga	Administration
464	United Telecom	Paul H Henson (55)	375	14	—	—	388	22	14	Bennet, Neb	Technical
623	United Va Bankshares	Joseph A Jennings (60)	247	1	21	—	270	43	4	Richmond, Va	Banking
373	Upjohn	Ray T Parfet Jr (58)	398	55	—	—	453	33	19	Port Huron, Mich	Finance
273	USLIFE	Gordon E Crosby Jr (60)	435	7	113	—	554	22	15	Remsen, Iowa	Marketing
801	Utah Power & Light	Harry Blundell (56)	125	—	6	—	132	32	2	Salt Lake City, Utah	Finance
340	Valero Energy	William E Greehey (45)	272	202	17	—	491	17	7	Fort Dodge, Iowa	Finance
469	Valley Natl Bk Ariz	Gilbert F Bradley (61)	299	15	69	—	383	44	5	Miami, Ariz	Administration
714	Va Electric & Power	T Justin Moore Jr (56)	203	—	6	—	209	21	3	Richmond, Va	Legal
685	Virginia Natl Bshs	Clifford A Cutchins III (57)	205	—	15	—	220	33	1	Southampton Cnty, Va	Banking
287	Vulcan Materials	W Houston Blount (59)	422	29	91	—	542	26	2	Union Springs, Ala	Operations
597	Wachovia	John G Medlin Jr (47)	277	—	8	—	285	22	4	Benson, NC	Banking
667	Wal-Mart Stores	Sam M Walton (63)	225	—	12	—	237	35	35	Kingfisher, Okla	Founder
659	Waldbaum	Ira Waldbaum (52)	245	—	—	—	245	34	32	Brooklyn, NY	Administration
548	Walgreen	Charles R Walgreen III (45)	284	5	32	—	321	29	10	Chicago, Ill	Operations
299	Wang Laboratories	An Wang (61)	323	—	207	—	530	30	30	China	Founder
18	Warner Commun	Steven J Ross (53)	1,350	65	859	—	2,274	19	19	New York, NY	Finance
209	Warner-Lambert	Ward S Hagan (61)	557	53	21	—	631	11	3	Sioux City, Iowa	Marketing
522	Washington National	Stanley P Hutchison (57)	223	5	2	110	340	34	5	Joliet, Ill	Legal
101	Waste Management	Dean L Buntrock (50)	460	3	—	404	867	24	13	Columbia, SD	Founder
454	Wells Fargo	Richard P Cooley (57)	376	8	11	—	395	31	14	Dallas, Tex	Finance
350	West Point-Pepperell	Joseph L Lanier Jr (49)	311	58	108	—	477	24	5	Lanett, Ala	Operations
180	Western Co No Amer	H E Chiles (71)	658	16	—	—	674	42	42	Itasca, Tex	Founder
771	Western Financial	Gary H Driggs (46)	155	2	2	—	159	19	5	Phoenix, Ariz	Banking
647	Western Union	Robert M Flanagan (51)	255	—	—	—	255	7	2	Springfield, Mass	Finance
178	Westinghouse Elec	Robert E Kirby (62)	673	3	—	—	677	35	6	Ames, Iowa	Technical
430	Westvaco	David L Luke III (57)	390	23	—	—	413	29	17	Tyrone, Pa	Finance
708	Wetterau	Ted C Wetterau (53)	197	13	—	—	210	29	11	St Louis, Mo	Marketing
240	Weyerhaeuser	George H Weyerhaeuser (54)	554	6	—	33	593	31	15	Seattle, Wash	Production
48	Wheelabrator-Frye	Michael D Dingman (49)	814	67	267	—	1,148	11	10	New Haven, Conn	Finance
545	Wheeling-Pitts Steel	Dennis J Carney (60)	265	32	27	—	323	7	3	Charleroi, Pa	Operations
349	Whirlpool	John H Platts (63)	398	1	80	—	479	40	9	Detroit, Mich	Sales
222	White Consolidated	Roy H Holdt (60)	496	31	87	—	614	39	4	Edgewood, Md	Finance
655	Whitney Holding	Patrick A Delaney (49)	225	—	23	—	248	27	4	New Orleans, La	Banking
89	Whittaker	Joseph F Alibrandi (52)	500	107	13	285	904	10	6	Boston, Mass	Administration
142	Wickes Companies	Emil L McNeely (62)	471	74	223	—	768	16	10	Pattonsburg, Mo	Marketing
600	Willamette Inds	Gene D Knudson (64)	273	—	11	—	283	31	7	Washtucna, Wash	Production
276	Williams Companies	Joseph H Williams (48)	413	44	96	—	553	22	2	Tulsa, Okla	Operations
471	Winn-Dixie Stores	Bert L Thomas (63)	381	—	—	—	381	35	15	Malad, Ida	Administration
745	Wisconsin Elec Pwr	Charles S McNeer (55)	178	2	6	—	187	31	5	Gilbert, W Va	Technical
610	Witco Chemical	William Wishnick (56)	274	3	2	—	279	31	9	New York, NY	Administration
416	F W Woolworth	Edward F Gibbons (61)	424	—	—	—	424	7	4	Boston, Mass	Finance
68	Xerox	C Peter McColough (58)	759	118	135	—	1,013	26	13	Halifax, Can	Sales
508	Zale	Donald Zale (48)	320	27	—	—	347	26	10	Wichita Falls, Tex	Marketing
515	Zapata	B John Mackin (63)	341	3	—	—	343	2	2	Dallas, Tex	Legal
206	Zayre	Maurice Segall (52)	629	8	—	—	637	3	3	Joliette, Can	Retailing
441	Zenith Radio	Revone W Kluckman (52)	328	20	57	—	406	14	1	Mound City, SD	Finance
541	Zions Utah Bancorp	Roy W Simmons (65)	162	—	25	140	327	27	15	Portland, Ore	Administration

[1] For FORBES definitions and methodology see page 114.

[56] Succeeded by Gordon A. Walker, 1/1/81.

[57] Succeeded by Daniel P. Davison, 1/1/81.

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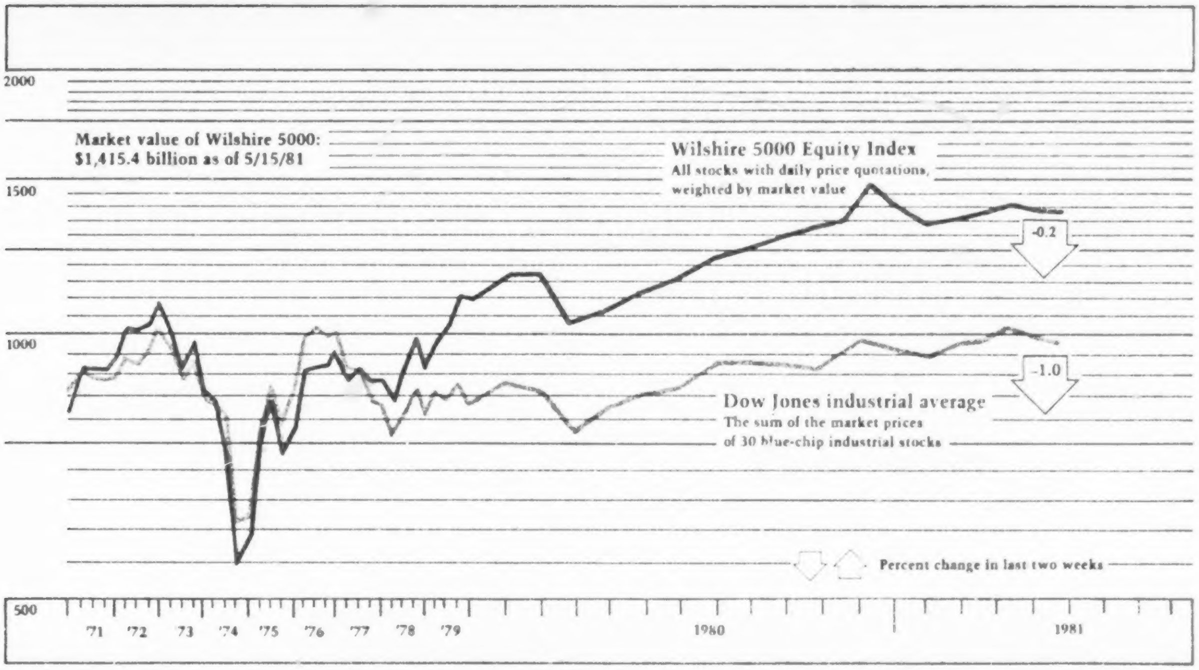
The Forbes/Wilshire 5000 Review



It's a readjustment period—again. In the last few years Wall Street has been sticking fairly close to one standard script: The Dow, for example, runs up by 50 to 100 points and then quickly declines by roughly the same amount. There must be plenty of smart guys who have it down to a science and know just when to bail out.

If this pattern holds true, both the Dow and the Wilshire will most likely kill some time wallowing before making the next move upward. Overall, contradictory signals on inflation and the economy are doing little to boost investor confidence.

During the last four weeks only the ASE Index, fueled by a slight uptick in energy stocks, managed to show some gains. However, the game is still NASDAQ stocks—where relatively small amounts of money can spark speculative fireworks. Even though the NASDAQ Composite slipped over the past month, it is still comfortably ahead of the NYSE Index. It is largely the NYSE component, in fact, that is holding back the 52-week performance of the broadly based Wilshire. It's a speculative market, not an investment market.

However, high-technology stocks really weren't a part of this high-P/E mini-rally. The charts on the next page make that clear.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	-0.8	-2.0	-1.6	1.5	-0.1
in last 52 weeks	28.4	19.2	25.0	43.9	47.0

Stock performance based on five key investor yardsticks

Percent change	Volatility *		P/E multiple		Dividend yield		Growth profile †		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	-0.1	-0.1	1.4	0.0	-0.9	0.5	0.9	-0.5	-1.5	1.4
in last 52 weeks	78.0	17.5	76.5	34.3	10.1	59.6	66.1	28.1	34.3	61.8

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 5/15/81. Prepared by Wilshire Associates, Santa Monica, Calif.

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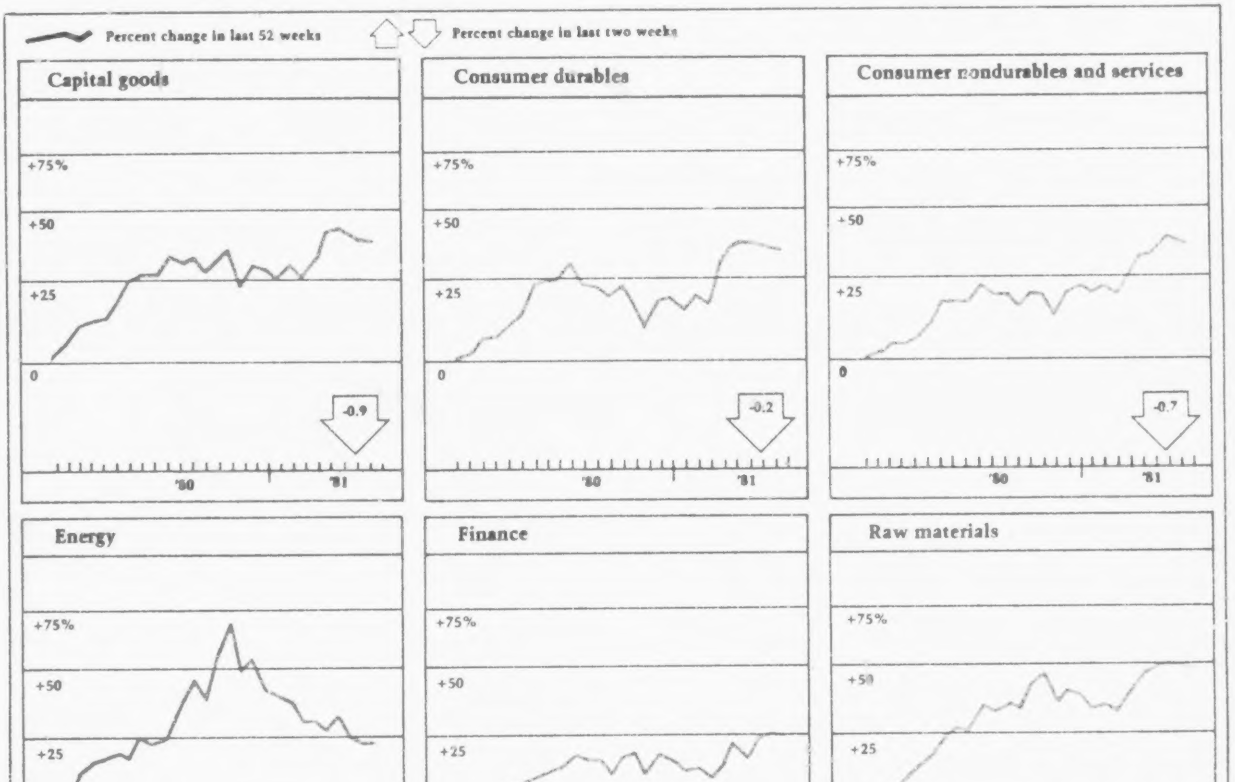
Where The Action Is

Light at the end of the extension cord? With few exceptions, the past two weeks have been a time to pull profits out of the market. Finance issues leveled off as brokerage stocks recovered from the recent case of acquisition fever. Technology companies, on the other hand, declined by 1.3%. Raw materials stocks fell almost as sharply, and capital goods producers continued their decline.

In the midst of all this gloom and doom, however, there were some surprising advances. The battered utilities moved against the market and clocked a healthy 3.3% gain. Even though utilities are still some way from solving their fundamental problems, there are reasons to be optimistic. Companies in this industry could move closer to historic book value and earnings multiples if they succeed in getting lower energy and interest costs and a more sympathetic hearing from regulators.



Note: All data for periods ending 5/15/81. Prepared by Wilshire Associates, Santa Monica, Calif.

The Contrarian

"Only suckers buy high-yielding stocks." Those investors who believe that, don't really understand the stock market.

HOW TO HAVE YOUR CAKE AND EAT IT

By David Dreman

You can go for either of two targets: for capital gains or for income. The two goals are not compatible. So goes the conventional wisdom. The conventional wisdom is, as usual, quite wrong. We undertook a major computer study between 1968 and 1977, using 1,800 of the most widely followed companies in the country. The time span covered both the wild and woolly go-go markets of the late Sixties and the two worst bear markets of the postwar period. What we found was that, far from being incompatible, the pursuit of high income and of superior capital gains usually go hand in hand in the stock market. Look at the table:

Annual rate of return

		1968-77			1970-76		
	Decile	Total annual return	Yield	Appreciation	Total annual return	Yield	Appreciation
Highest P/E	1	-1.13%	1.15%	-2.28%	6.10%	1.25%	4.85%
	2	0.56	1.70	-1.14	6.25	1.80	4.45
	3	1.63	2.21	-0.58	8.01	2.36	5.65
	8	8.56	4.18	4.38	12.79	4.43	8.36
	9	6.08	4.22	1.86	8.61	4.34	4.27
Lowest P/E	10	10.26	4.06	6.20	14.13	3.84	10.29

Two sets of figures are presented. The first covers the entire nine years of the study; the second the better markets between the bear market low of 1970 and the interim highs of 1976. All stocks were arranged in ten equal groupings strictly according to P/E multiples and rearranged each year-end by the P/E multiples then prevailing. The top group (1) comprises the highest P/E multiples, the bottom (10) the lowest. The table gives the average annual total return followed by the breakdown into its two components, yield and capital appreciation. Even a fast glance at the table indicates the superior results of the lower-multiple groups. (Results in the four middle groups, omitted because of space limitations, improved as the price/earnings level dropped.)

When you analyze this superior performance of the low P/E stocks you might expect that most of it comes from their higher dividends. What is surprising is that low P/Es do better in the capital gains sweepstakes. Appreciation, in most cases, is directly inverse to P/E ratio.

Over the life of the study, the bottom 10% of P/Es appreciated 6.20% annually, *vs.* -2.28% for the highest P/Es. In the 1970-76 period the lowest group still outran the top group better than 2-to-1 (10.29% *vs.* 4.85%). In every other time period measured, we came up with remarkably similar results.

Contrary to what the good books say, then, these rather startling but well-documented statistics indicate that you can have your cake and eat it too. Low P/E stocks provide both better appreciation and much higher income.

The study also indicates the stronger defensive nature of the large-dividend payers. In the poorer market period in particular, the substantially larger yields of the low P/E stocks were a major contributor to the higher returns, and thus to their better performance.

This being so, which stocks offer the right combination of high yield plus capital gains potential? Here are some good ones:

- *Chemical Bank* (52), the nation's sixth-largest bank, currently yields 7.3% and trades at a P/E of 4. Earnings should show a good improvement from 1980's $11.17 a share.
- *Wells Fargo* (28), the tenth-largest bank holding company, yields 6.7% and has a P/E of 5. Earnings are estimated to increase 22% in 1981 from the $5.32 of 1980.
- *Travelers* (45) is a multiline insurance company that has been able to raise rates and keep earnings growth ahead of inflation. In the last decade, the company's earnings per share, although volatile, have shown an almost 20% annual increase. The stock currently trades at a P/E of 5 and yields 6.3%.
- *Shell Transport & Trading* (33), the British arm of Royal Dutch, has been knocked down 33% from its November high. The stock presents good value trading at a P/E of 5 and yielding 11%.
- *Anglo American Gold Investment ADR*, one of the largest South African gold holding companies, has major interests in four large South African mines, as well as a stake in uranium and gold mines abroad. Currently down from its alltime high of 149, to 87, the stock trades at about a 40% discount from the market value of its holdings, and yields 11.3%.

Are all the stock market winners in the high-yield, low P/E groups? Of course not, but of this you can be certain: A faithful and diversified adherence to a low P/E, high-yield strategy will enable you to beat most other investors—professional and amateur alike. I have 40 years' worth of studies to prove it. ■

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Dividend cuts rarely please investors, but they sometimes make it possible for an ailing company to turn around.

Rough cuts: reduced dividends

By Steve Kichen and Paul Bornstein

WHAT'S THE WORST SHOCK a shareholder can get? Short of a bankruptcy petition, it's surely news of a dividend cut. That heralds an immediate decline in investment income. What's more, a payout reduction is an unvarnished message that a company is in trouble—and often an early warning signal that even tougher times are still ahead.

This is an unpleasant situation, of course, only if you're already an investor. But suppose you're shopping the market for bargains. A company's shares occasionally nosedive when the dividend falls, and if you're of the buy-on-bad-news persuasion, that could be a very positive signal. Cutting the payout may mean that take-charge management recognizes its problems and is willing to take unpopular steps to solve them.

Dividend cuts then can be either buy signals or sell signals. In a rough—and admittedly unscientific—way FORBES set out to find out which move makes better sense. From a universe of almost 2,000 major companies, we decided to see how those that slashed payouts fared on Wall Street. To keep the study recent and yet to allow time for a possible rebound, we surveyed the years 1976 to 1979. Although many companies went through multiple dividend cuts in this period, we based our data on the first of such moves. We did not examine companies with only sporadic dividend records.

To compare change in stock price from the time of dividend cuts to the present we took the stock price as of

Through the past, darkly

When a company cuts its dividend, that's a clear indication of trouble. But what happens next? To answer that question, FORBES developed this list of companies that reduced or eliminated their quarterly payments to stockholders between 1976 and 1979. Below, adjusted for stock dividends and stock splits, are the performance results of these 69 companies, ranked according to percentage price changes since their payout reductions. Our results: 5 out of every 7 stocks are now selling at higher prices, 17 of the 69 issues more than doubled. And 22 averaged yearly gains of 25% or more. Still, investing in dividend cutters has plenty of risks—as can be seen from the losses and low returns posted by their poorer performers listed here.

	Information on dividend cut						Earnings per share		Indicated	
Company	year	change in dividend	EPS for year	stock price	Recent stock price	% change in stock price	latest fiscal year	latest 12 months	dividend	yield
Florida Steel	'76	$0.09–$0.08	$0.48	5	35⅞	618%	$3.15	$3.57	$0.70	2.0%
Franklin Mint[1]	'77	0.19– 0.08	0.85	7½	37[2]	393	NA	NA	NA	NA
Canal-Randolph	'76	0.28– 0.16	0.58	8⅝	39¾	361	0.96	0.99	0.64	1.6
Newmont Mining	'77	0.40– 0.20	0.12	16¼	66¾	311	7.64	5.61	1.50	2.2
EF Johnson	'77	0.20– 0.00	d 7.49	7¼	28¾	297	0.69	0.41	—	—
Esquire	'76	0.08– 0.00	0.23	5¼	18⅞	260	3.40[3]	3.53[4]	0.90	4.8
Warnaco	'76	0.19– 0.00	d 0.09	6⅝	23⅞	260	3.87	3.99	1.00	4.2
Handleman	'76	0.10– 0.05	0.53	5½	16¼	195	1.94	1.59	1.00	6.2
Tonka	'79	0.11– 0.00	2.10	10	26¼	163	2.37[5]	3.17	0.10	0.4
Phelps Dodge	'77	0.55– 0.15	0.64	18⅜	47¼	157	4.20	3.23	1.60	3.4
Royster[6]	'78	0.15– 0.10	0.19	6⅜	16[6]	151	NA	NA	NA	NA
Michigan Sugar	'77	0.20– 0.08	0.41	6¾	16¼	141	5.59	8.55	1.00	6.2
RL Burns	'78	0.10– 0.00	d 4.18	2⅝	6⅛	133	0.25	0.54	—	—
Gulf Res & Chem Corp	'78	0.25– 0.06	1.41	10½	24½	133	2.24	1.30	0.50	2.0
M Lowenstein	'77	0.15– 0.08	d 2.16	11	24⅛	119	1.47	2.25	0.60	2.5
Sherwin-Williams	'78	0.28– 0.00	0.38	10	21¾	118	2.44	2.53	0.80	3.7
Buttes Gas & Oil	'78	0.08– 0.00	0.11	8½	17⅝	107	2.47	2.51	—	—
Zenith Radio	'79	0.25– 0.15	1.01	9⅝	18⅝	94	1.40	1.36	0.60	3.2
Citizens & Southern (Ga)	'77	0.13– 0.06	d 0.27	4⅝	8½	84	1.23	1.34	0.40	4.7
Kennecott[7]	'76	0.25– 0.15	0.27	32¼	58¾	82	2.79[8]	0.68[9]	1.40	2.4

[1] Acquired by Warner Communications: 1 share of Franklin Mint exchanged for 0.764 share of Warner or cash and warrants. [2] Equivalent value of Warner Communications stock. [3] Excludes $2.81 from discontinued operations. [4] Excludes $2.86 from discontinued operations. [5] Excludes $9.67 from discontinued operations. [6] Acquired by Universal Leaf Tobacco: 1 share of Royster exchanged for $16 cash or cash and notes. [7] Standard Oil (Ohio) made acquisition offer @ $62 per share. [8] Excludes $3 gain from sale of property. [9] Excludes $1.42 gain from transfer of interest. [10] Excludes $17.09 gain from sale of proprietary drug business. [11] Company in Chapter 11. [12] 1979 results. [13] Company is in Chapter 11; shareholders approved plan to reorganize into Pantry Pride holding company. NA: Not applicable or not available. d: deficit.

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the date the cut was announced, the date that a reduced dividend was declared or the date that a dividend normally would have been declared. All data was adjusted for subsequent stock dividends and splits.

Our conclusion—limited by the data obtained in our quick investigation—is that dividend cuts seem more likely to portend good times than bad for stockholders. Of course, there were some spectacular basket cases, such as First Pennsylvania, which decreased 60%, and Combustion Equipment Associates which did even worse. But 22 of the companies averaged gains of at least 25% a year. And some of the winners, like Canal-Randolph, E.F. Johnson, Phelps Dodge, Tonka and Warnaco, were impressive indeed.

Back in 1976, for example, a farsighted investor who put $1,000 into Florida Steel—when it slashed the

Through the past, darkly

Company	—Information on dividend cut—				Recent stock price	% change in stock price	—Earnings per share—		—Indicated—	
	year	change in dividend	EPS for year	stock price			latest fiscal year	latest 12 months	dividend	yield
Tesoro Petroleum	'77	$0.25–$0.00	d $5.52	9¾	17¾	82%	$7.15	$4.85	$0.30	1.7%
BanCal Tri-State	'76	0.34– 0.15	0.66	15¼	27⅝	81	3.64	3.62	1.20	4.3
Alexander & Baldwin	'76	0.40– 0.30	1.86	16⅞	30⅜	80	7.89	7.08	1.80	5.9
Southeast Banking	'76	0.20– 0.10	1.09	11⅜	20¼	78	3.23	3.28	1.00	4.9
Culbro	'79	0.25– 0.15	d 6.62	10½	18¼	74	1.75	1.40[10]	—	—
Beker Industries	'77	0.07– 0.00	d 2.65	8⅛	14	72	2.49	1.85	—	—
Kaiser Steel	'79	0.38– 0.00	6.79	27½	45¾	66	27.16	19.68	—	—
Proler Intl	'78	0.35– 0.00	0.92	20¾	33⅝	62	4.40	4.40	1.40	4.2
House of Fabrics	'79	0.09– 0.05	0.46	5⅝	9	60	0.70	0.70	0.20	2.2
Ceco	'77	0.29– 0.18	d 0.97	14	21½	54	4.57	4.30	0.90	4.2
Outboard Marine	'79	0.35– 0.18	2.00	12¼	18¾	53	0.28	2.09	0.70	3.7
Uniroyal	'78	0.13– 0.00	0.04	5¼	8	52	d 0.30	d 0.30	—	—
Wayne-Gossard	'79	0.12– 0.06	d 0.72	6	8⅞	48	0.07	0.64	0.20	2.3
Cont Copper & Steel Ind	'76	0.10– 0.00	d 0.49	4½	6½	44	1.26	1.92	—	—
Holly Sugar	'76	0.85– 0.60	13.65	30¾	41⅞	36	3.63	8.30	1.00	2.4
Fisher Foods	'79	0.15– 0.10	d 1.14	8⅝	11½	33	1.05	1.19	0.50	4.3
Fidelcor	'78	0.55– 0.25	d 2.70	14	18⅜	31	2.34	2.70	0.64	3.5
Triangle Industries	'76	0.21– 0.00	d 2.88	9½	12	26	1.85	1.73	0.40	3.3
Coachmen Industries	'79	0.15– 0.00	d 2.81	6¼	7¾	24	d 2.09	d 1.31	—	—
Akzona	'77	0.30– 0.20	0.60	11⅜	13¼	16	0.40	0.19	0.80	6.0
Firestone Tire & Rubber	'79	0.28– 0.15	1.35	9⅞	11⅜	15	d 2.11	d 0.64	0.60	5.3
Amalgamated Sugar	'77	0.75– 0.50	d 1.95	30	34¼	14	8.78	11.06	4.00	11.7
Pabst Brewing	'79	0.30– 0.10	1.12	14¾	16¾	14	1.55	1.14	0.40	2.4
US Steel	'78	0.55– 0.40	2.85	28⅝	32⅜	13	5.25	7.03	2.00	6.2
Keystone Consol Inds	'77	0.25– 0.00	d 1.46	14⅝	16¼	11	d 1.84	d 4.36	—	—
Bethlehem Steel	'77	0.50– 0.25	d 10.27	23⅞	26⅜	10	2.77	2.11	1.60	6.1
Orange-Co	'79	0.05– 0.00	1.17	7	7¼	4	d 1.19	0.67	0.20	2.8
GF Business Equip	'76	0.08– 0.00	d 0.04	5	5⅛	3	0.80	0.83	—	—
Reece Corp	'77	0.19– 0.15	1.10	9¾	9⅞	1	0.86	0.68	0.60	6.1
Joseph Schlitz Brewing	'78	0.17– 0.10	0.41	10⅞	10½	–3	0.93	0.76	—	—
Hayes-Albion	'79	0.32– 0.10	0.06	10⅜	9⅞	–5	d 0.77	d 1.22	—	—
Rival Manufacturing	'77	0.40– 0.20	0.89	10¾	10⅛	–6	1.17	1.19	0.80	7.9
Kellwood	'79	0.28– 0.20	1.28	11¼	10⅜	–8	0.06	1.15	0.40	3.9
Penn-Dixie[11]	'77	0.06– 0.00	d 2.85	4¾	4	–16	d 2.65[12]	d 3.46	—	—
Food Fair[13]	'78	0.05– 0.00	d 7.42	4¾	3⅞	–18	1.86	2.38	—	—
Craig	'79	0.13– 0.06	0.59	8	6⅜	–20	d 0.13	d 0.69	—	—
Fotomat	'79	0.13– 0.00	d 0.57	9	6¾	–25	0.08	0.08	—	—
Mesta Machine	'78	0.25– 0.15	0.56	20⅞	15	–28	d 12.48	d 12.48	—	—
Munford	'78	0.10– 0.00	d 0.72	10½	7¼	–31	0.26	0.43	—	—
Victoria Station	'79	0.03– 0.00	d 0.42	13	7¾	–40	d 0.42	d 2.17	—	—
Giant Portland	'76	0.20– 0.15	0.48	10⅞	6⅛	–44	d 0.49	d 0.61	—	—
McLouth Steel	'77	0.30– 0.00	d 2.86	13¾	7¾	–44	d 10.22	d 10.50	—	—
Hesston	'76	0.20– 0.00	d 3.50	18⅞	10¼	–46	d 0.19	d 0.58	0.20	2.0
United Merch & Mfrs	'76	0.20– 0.10	d 3.36	11⅛	5⅝	–49	d 3.39	d 4.72	—	—
Sambo's	'79	0.15– 0.00	d 6.06	9⅝	4⅝	–52	d 1.05	d 1.05	—	—
General Public Util	'79	0.45– 0.25	1.56	10½	4½	–57	0.34	0.19	—	—
First Pennsylvania	'79	0.33– 0.11	1.06	11	4⅜	–60	d 10.47	d 9.88	—	—
Combustion Equip Assoc[11]	'79	0.07– 0.00	d 0.66	11¼	1⅛	–90	d 2.55	d 4.15	—	—
Itel[11]	'79	0.20– 0.00	d 39.13	14⅛	¾	–95	d 39.13[12]	NA	—	—

[1] Acquired by Warner Communications. 1 share of Franklin Mint exchanged for 0.764 share of Warner or cash and warrants. [2] Equivalent value of Warner Communications stock. [3] Excludes $2.81 from discontinued operations. [4] Excludes $2.86 from discontinued operations. [5] Excludes $9.67 from discontinued operations. [6] Acquired by Universal Leaf Tobacco: 1 share of Royster exchanged for $16 cash or cash and notes. [7] Standard Oil (Ohio) made acquisition offer @ $62 per share. [8] Excludes $3 gain from sale of property. [9] Excludes $1.42 gain from transfer of interest. [10] Excludes $17.09 gain from sale of proprietary drug business. [11] Company in Chapter 11. [12] 1979 results. [13] Company is in Chapter 11; shareholders approved plan to reorganize into Pantry Pride holding company. NA: Not applicable or not available. d: deficit.

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dividend it was paying at the time from 37½ cents to 30 cents—would today be sitting with stock worth almost $7,200.

"We made what we think is a nominal dividend cut to tell stockholders that things were going to be tight for a year or two," says Edward L. Flom, Florida Steel's chairman. "We like to pay out between 30% and 35% of our earnings, so we try to adjust the dividends up or down in keeping with long-range business trends." Florida Steel's dividend policy isn't a reaction to crisis or calamity but rather an adjustment based on its perception of future business conditions. If Wall Street treats things differently, let the seller beware. "Our theory on the dividend is that it's an indication of what we think is going to happen in the future," Flom concludes.

Esquire, however, cut its dividend in 1976 for more conventional reasons—massive losses at its flagship magazine. But one year later management bit the bullet and sold out. By beefing up its other product lines and making aggressive acquisitions, Esquire has turned around: Its stock has more than tripled since 1976.

The dividend? It was restored four years ago—but Bernard Krauss, Esquire's president, isn't sure that dividend policy makes that much difference. "If you can ever establish some ratio between stock prices and payouts we'd be delighted to have it," he explains. "It's my general view that it doesn't make a lot of difference to stockholders anymore. With tax rates and inflation, people are looking for capital appreciation more than dividends."

Immediate market reaction to a dividend cut, of course, is not consistent. By the time Ford got around to reducing its payout from $1.00 to 30 cents a quarter in 1980, the market had already discounted the stock. Who wouldn't have been suspicious of a 15% yield—especially with Ford's losses. But lots of investors got a high-voltage shock when Con Ed cut its dividends in 1974. Not only did Con Ed's stock short circuit to a low of 6, but many other utilities took a beating as investors became concerned about industry revenues not keeping up with costs.

"Generally, at the point of a dividend cut, most of the damage is already done," says Michael Kailing of A.M. Kailing & Associates, a Chicago-based investment counseling firm. Still, he feels that dividend cuts tend to scare away institutions while smaller investors are more likely to hold their shares. That's why the immediate reaction is often a quick drop of a stock's price. "But as a company goes down the road and tightens its belt, things can become very positive," Kailing explains.

Other experts view dividend cuts more skeptically. David Leibowitz, vice president of American Securities, feels that it is a mistake for established companies with a tradition of high yield and high payout to cut dividends. "Shareholders own such companies because of income, and a cut really shakes their confidence. A dividend cut by an established corporation makes sense," says Leibowitz, "only if the company is literally changing its spots and has a plan in mind to embark on a new business. A dividend cut could also be justified for an emerging high-technology high-growth company paying only a nominal dividend in the first place. Such a company might be better off not paying a dividend—especially with the high cost of money."

Patient investors, of course, have already reaped handsome rewards from the best performers on our dividend cut list. But what about those stock prices that are lower now than when the dividend cuts took place? You would have lost only 95% of your money with Itel: Its present price is a reflection of what the market thinks about its chance for recovery. On the other hand, it looks as if Food Fair will successfully emerge from Chapter 11. In fact, it showed a profit in 1980—no small accomplishment in the grocery store industry. But Food Fair shares are still down by 18% since it cut its dividend in 1978.

Whether or not dividends are as important as they used to be, dividend policy does affect the market. In general, the risks of investing in corporations that have cut dividends is high. And it often takes patience, patience that can go unrewarded. If you have to wait five years to get back a 50% gain, you have hardly beaten 12% annual inflation.

For the brave who want a look at a current crop of dividend cutters, however, the table on this page presents a sampling. The pressures of high interest rates account for the large number of thrift institutions and if inflation declines they may be some of the most immediate beneficiaries. Otherwise, the ranks surely include the likes of Esquire and Florida Steel—as well as Food Fair and Itel. ■

Double or nothing

Here is a list of 22 companies that have cut their dividends in 1981. Nearly one-third of these firms are thrift institutions, hard hit by the pressures of high interest rates and restrictive regulations. Still, if these stocks show the same resilience as those listed in the table on page 189, share prices in 5 of the companies will double over the next four years. Several others, unfortunately, may go bankrupt.

Company	Change in dividend	Recent price	EPS latest fiscal year	Price/ earnings ratio
Alamo Savings Association	$0.13–$0.10	10½	d $2.20	d
Alpha Portland Industries	0.18– 0.00	13¾	d 6.55	d
Ambassador Group	0.10– 0.05	15¾	1.85	8.5
Bird & Son	0.25– 0.10	14½	d 0.89	d
Biscayne Federal S&L	0.20– 0.00	16⅞	0.73	23.1
Broadview Financial	0.11– 0.00	5⅛	d 0.73	d
Centronics Data Computer	0.05– 0.00	12	3.01	4.0
Decorator Industries	0.06– 0.00	2	0.09	22.2
Gibraltar Financial of Calif	0.15– 0.00	6¾	d 0.38	d
International Harvester	0.30– 0.00	15¾	d 12.91	d
International Proteins	0.05– 0.00	6¼	d 0.20	d
Midland Bancorp	0.33– 0.00	12	1.46	8.2
Northern Calif S&L Assn	0.18– 0.00	10½	0.71	14.8
Opelika Manufacturing	0.21– 0.05	11⅜	d 1.74	d
RTE	0.15– 0.10	9	0.36	25.0
Savin	0.18– 0.09	13	4.35	3.0
Siliconix	0.05– 0.00[1]	17¾	1.10	16.1
Timberland Industries	0.05– 0.00	4	d 0.94	d
Toro	0.11– 0.00	10⅛	0.90	11.3
Transohio Financial	0.10– 0.00	8⅛	0.75	10.8
Twin Fair	0.20– 0.00	7¼	d 2.64	d
Del E Webb	0.05– 0.00	11⅜	0.42	27.1

[1] Semiannual dividend. d: deficit.

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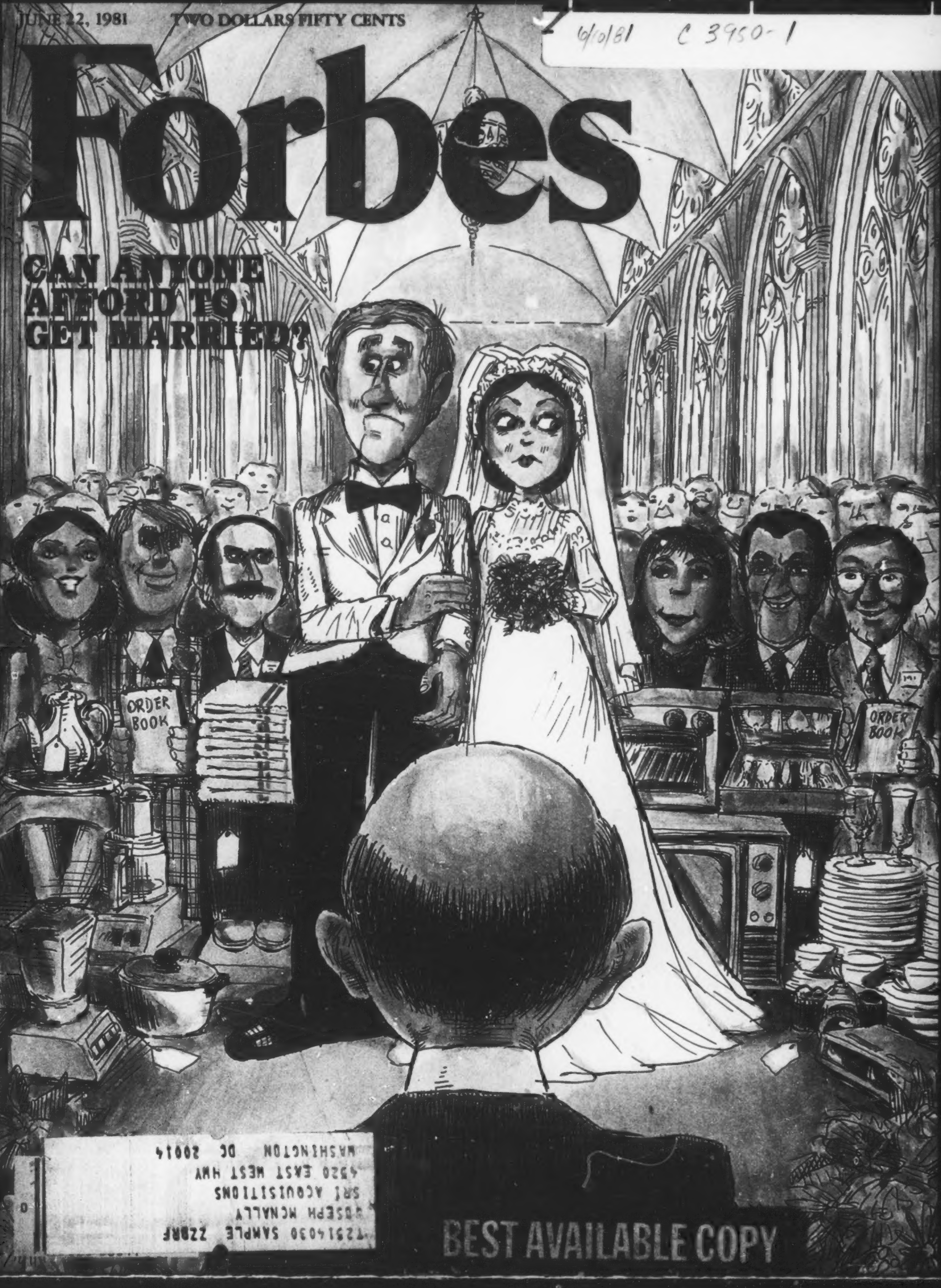

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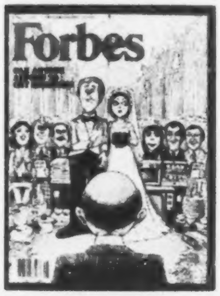

87 Cover Story: The $12.5 billion wedding market seems easy. In fact, only a few big companies have a real talent for it.

33 Iowa Beef: Armand Hammer knows a good thing when he sees it.

38 Jean-Jacques Servan-Schreiber: His new book may offend a good many readers, but not for the reasons that offended its author.

31 Companies:
Cities Service Co.

A behemoth mired in utility mentality, it doesn't have much to offer in either management or accomplishments. So why all the interest?

32 Government:
When Uncle Sam Stops Paying

Will cutting out all those federal subsidies bring on disaster? Not if you look at one little-known cutback.

33 Companies:
Iowa Beef

Where's the synergy with Occidental Petroleum? Armand Hammer must smile at the question. This hard-as-nails, fiercely competitive outfit has become a dazzling growth company while revolutionizing an archaic industry.

38 Publishing:
"This Is Incredible!"

Servan-Schreiber's new book is as naive in the final version he approved as in the galleys he fumed over.

45 Economists:
A Bad Rap From History

"By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens . . . fast rendering impossible a continuance of the social and economic order." Who said that? You may be surprised.

48 Inflation:
Who Benefits

We have met the profiteers, and unfortunately they are us.

54 Companies:
Bank Of America

Says President Armacost: "I am not going to lay back and let the waves wash over us."

58 Companies:
Tandem Computers

James Treybig's $109 million company is already training its people for the day it becomes a $1 billion company.

62 Steel:
Playing Catch-up

But, perhaps, a little too late.

64 Companies:
Pan American World Airways

Once before, Bill Seawell saved it from bankruptcy. Now, he must do it again. Even if he succeeds, a difficult restructuring lies ahead.

70 Promoters:
The Land Of Opportunity

Among the colonials, a British accent and impeccable connections can go a long way.

76 The Numbers Game:
Reading The Tea Leaves

Welcome to the rarefied world of actuarial assumptions.

78 Exports:
The "Truly Needy"?

Say this for the Reagan Administration—it has the courage of its convictions. But its attempt to cut Export-Import Bank funding has run into some flak.

87 Cover Story: The High Cost Of Loving

What with bracket creep, the marriage tax and the soaring cost of pots, who but the rich can afford to get married these days? Clearly, nobody, but 2.4 million Americans will do it this year. "It's a great market," as one retailer says, but not for everyone.

92 Oil Exploration:
In The Best Of Families

A little drama at the King Ranch.

93 Mexico:
"What's Too Much?"

By the end of this year, Mexico will be as deeply in debt as Brazil. No cause for alarm, says one of its top bankers.

98 The Funds:
The Mexico Fund

An auspicious start. But what next?

100: The Funds:
Bond Funds, Anyone?

There's always something nobody wants.

102 Companies:
Oshkosh B'Gosh

The butt of countless comedians' jokes, Oshkosh, Wis. has its satisfactions. One is this premier denim clothing company.

58 Tandem Computers: Some simulation training for the big day.

76 The Numbers Game: Don't blame the accountants. Blame the inflationary world we live in.

92 The King Ranch: "These things happen in big, successful families," says one lawyer. But only in Texas do the stakes get this high.

104 Mary Kay Cosmetics: A long way from those Saturdays in the cellar.

104 Companies:
Mary Kay Cosmetics
This Texas company has become a profits powerhouse in the booming skin-care market.

106 The Up-And-Comers:
Walbar
"Find a lily pad. . . ."

114 Companies:
Sonoco
No, it's not the oil company; it's a shrewdly positioned, profitable packaging company.

Personal Affairs

115 Finding a good lawyer has never been easy. Here's some advice from some legal superstars on how to go about it.

122 Taxing Matters:
The Death Tax
Why thousands of small businessmen are "working for the insurance company."

Faces Behind The Figures

136 John P. Gallagher,
Dome Petroleum
136 Dee W. Hock,
Visa
136 Morton Winston,
Tosco Corp.
137 Fujio Mitarai,
Canon U.S.A.
137 John Fraser,
Morgan Grenfell Holdings
140 Arnold R. Schmeidler,
A.R. Schmeidler & Co.
140 Thomas Richardson,
Northeast Bancorp
141 John Quinn,
New York State Lottery
141 Emanuel Fthenakis,
American Satellite Co.

160 The Money Men:
Girard Bank's Don Carver
"Buying and holding is not our style."

161 Statistical Spotlight:
Yesterday's Debs; Japanese ADRs
New issues, as this backward look shows, may be an exciting, but probably a losing, game. Also: How to catch a ride on the Japanese stock market.

Money And Investments

25
What's Ahead For Business?
26
The Forbes Index
143
The Forbes/ Wilshire 5000 Review

Columnists

147
Ben Weberman
148
Heinz H. Biel
152
John Train
154
Srully Blotnick
156
Richard B. Hoey
157
Ashby Bladen
158
Stanley W. Angrist

Departments

6
Side Lines
8
Trends
12
Follow-Through
16
Readers Say
19
Fact and Comment
22
Other Comments
166
Editorial Index
167
Flashbacks
168
Thoughts

Photos:
6, 116 top, 140 bottom, 164, Bill Kelly; 8, Bruce Hoertel; 12, 48, 93, UPI; 33 left, 34, 35, 37, Enrico Ferorelli; 33 right, James Caccavo; 38, Mark Bulka/Liaison; 50, 106, Steve Liss/Liaison; 54, Gregg Mancuso; 58, John McDermott; 66, Michael Abramson; 70, Hugh Routledge/Financial Times; 73, Sidney Harris; 76, The Times, London; 88, 89, 90, Carl Flatow; 92, 98, Wide World; 94, Eric Poggenpohl; 102, 103, John Coster-Mullen; 104, Buck Miller/Black Star; 105, Phil Huber/Black Star; 114, Judith Gefter; 115, Jim Pickerell; 116 bottom, McGhee & McGhee: Michael Van Auken; 118, Sigrid Estrada; 136 top, Tom Lea; 136 bottom, George Cardozo; 137 bottom, 140 top, Patrick Pagnano

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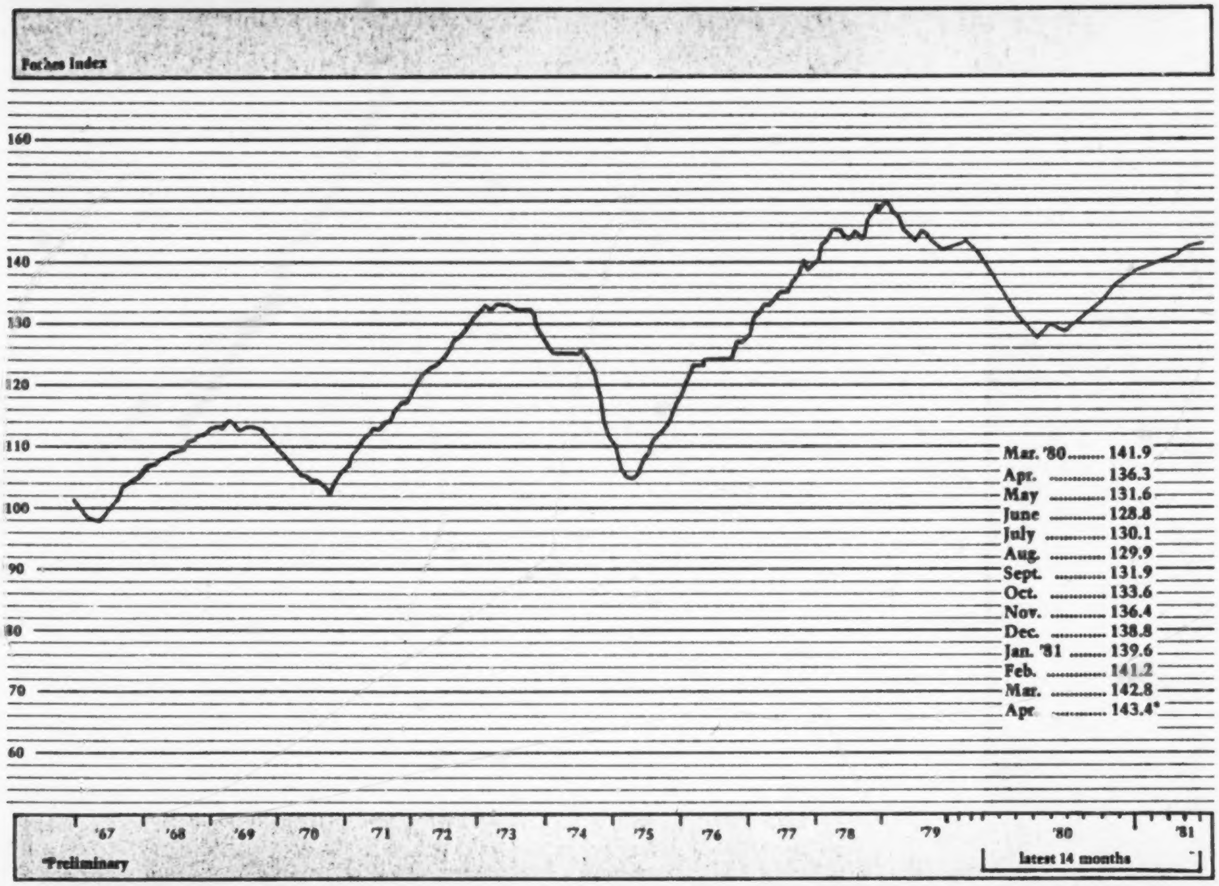
The Forbes Index



Mar. '80	141.9
Apr.	136.3
May	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.6
Feb.	141.2
Mar.	142.8
Apr.	143.4*

*Preliminary

The Forbes Index Components

Going up but slowing down. For the eighth straight month the Forbes Index is up. But the gain for April is only 0.4%, the smallest percentage increase since an actual decline in the second quarter of 1980. A downturn in the economy could be on the horizon. A definite sign of weakness is the decline in retail sales. Most of the gain in the April Index came from a rebound in housing starts—up 27.6% from the depressed levels of last year.

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

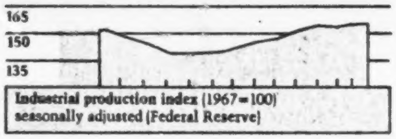
Total retail sales

New housing starts

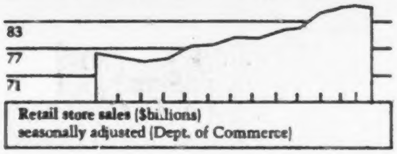
Personal income

The change in the amount of consumer installment debt outstanding

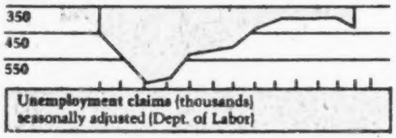
To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



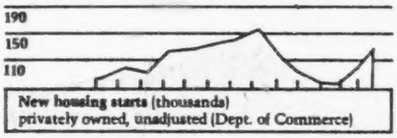
Industrial production index (1967=100) seasonally adjusted (Federal Reserve)



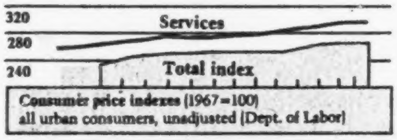
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)



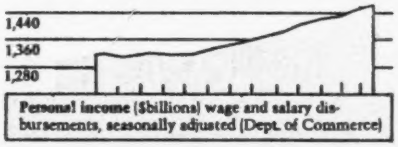
Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)



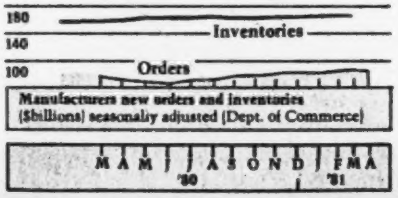
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)



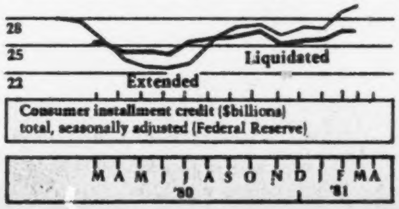
Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

There are always mutual funds nobody wants. But recent slow movers offer a chance to profit if interest rates decline.

Bond funds, anyone?

The Funds

By Thomas Baker

IN EVERY FAMILY of mutual funds, there's always something nobody wants, and over the past five years it has taken the hardest of hard sells to move bond funds. During that period, according to Lipper Analytical Distributors, these investments brought a meager 27% cumulative return. That's less than one-fourth the average industry return and one-fifth the showing of growth-stock portfolios.

Not surprisingly, bond funds haven't been selling. Investors bought only $800 million worth of corporate and municipal long-term funds in the first quarter of 1981. At the same time, they poured $2.9 billion *per week* into money market funds.

Still, even black sheep can have their day. With real rates of return on long-term issues at their highest level since the Civil War (FORBES, *May 25*), bond funds can be a shrewd play for small investors who want to lock in high yields and profit from rising asset values if interest rates decline. Aside from the normal mutual fund attributes of diversification and ready marketability, bond funds are attractive for another reason: bond-market selling methods make it hard for anyone with less than $100,000 to get the best rates. The funds can do that, however, and they typically charge management fees of only 0.5% per year.

Bond managers don't report any flood of new money—despite some predictions that prices are bottoming out. "Demand may come if rates actually start down," says one fund man. "Our customers tend to lag the market." Once net asset values start to climb, fund groups may start promoting their bond-related wares, and that could help sales too.

All funds, of course, are not created equal. "If an investor is convinced interest rates have peaked, he should find a fund as close to fully invested as possible," says Charles Smith of T. Rowe Price. "When the market runs, it gets the full pop." His own New Income Fund, however, is currently staying with 35% cash, though that's down from 50% in March.

Beyond that, funds with the largest percentage of long-term bonds will probably move up faster if rates decline. Check the average maturity figure, but remember it can be misleading: A portfolio with 50% in 40-year telephone bonds and 50% cash has an average maturity of 20 years, but it wouldn't perform as well in a rally as an account with all 20-year bonds.

Another useful statistic is the average price of bonds in a portfolio: A low average price means more leeway for a big rally. "It doesn't necessarily mean that the fund will go to par, but it does mean that if there's a 15-point rally you're not going to be underperforming the market anytime soon," says Ted Busboom, manager of Investors Selective Fund. "With a par portfolio, you'll start underperforming when it hits around 110 or 112."

In the case of the municipal funds, performance has been a bit more discouraging than corporate portfolios. But tax-exempts are now yielding 70% to 80% as much as taxables, Busboom points out, and he expects that ratio to stay firm until the property and casualty insurance companies reenter the markets as big buyers.

What's the best way for an investor to get these statistics and size up a fund's strategy? A prospectus will help, but its information is sometimes dated and not always clear. Some fund heads offer another suggestion: Speak directly to the portfolio manager. Most investment houses have toll-free numbers, and the guy who runs the bond fund may be delighted to hear his telephone ring. ■

Comparing the black sheep

Note that some of the bond funds below have large cash reserves, others relatively small ones. If you think interest rates have already peaked, buy a fund that is heavily invested; if you think rates still have some way to go on the upside before coming down, you'll prefer a fund with enough cash on hand to take advantage of a further decline in prices.

Fund	Yield 3/80-3/81	Total assets (millions) 12/31/80	Net asset value per share 5/28/81	% of portfolio in cash 3/31/81
Corporate				
Amer Gen High Yield Investment	13.5%	$236.7	$9.05	10%
Fidelity Corporate Bond Fund	12.8	92.6	6.34	7
Investors Selective Fund	12.9	529.0	6.66	3
John Hancock Bond Fund	12.3	268.6	12.75	15
T. Rowe Price New Income Fund	13.5	363.7	8.00	34
Municipal				
Dreyfus Tax Exempt Bond Fund	8.9	723.7	10.07	0
Fidelity High Yield Muni Bond Fund	9.0	153.0	10.34	31
Kemper Muni Bond Fund	9.0	170.4	7.17	0
T. Rowe Price Tax Free Inc Fund	8.8	256.0	7.78	2
Federal				
Vanguard Fixed Inc GNMA Portfolio	NA	24.7	8.24	15
Fidelity Government Securities	13.0	64.9	8.98	0

NA: Not available.

Source: Lipper Analytical Distributors, Inc.

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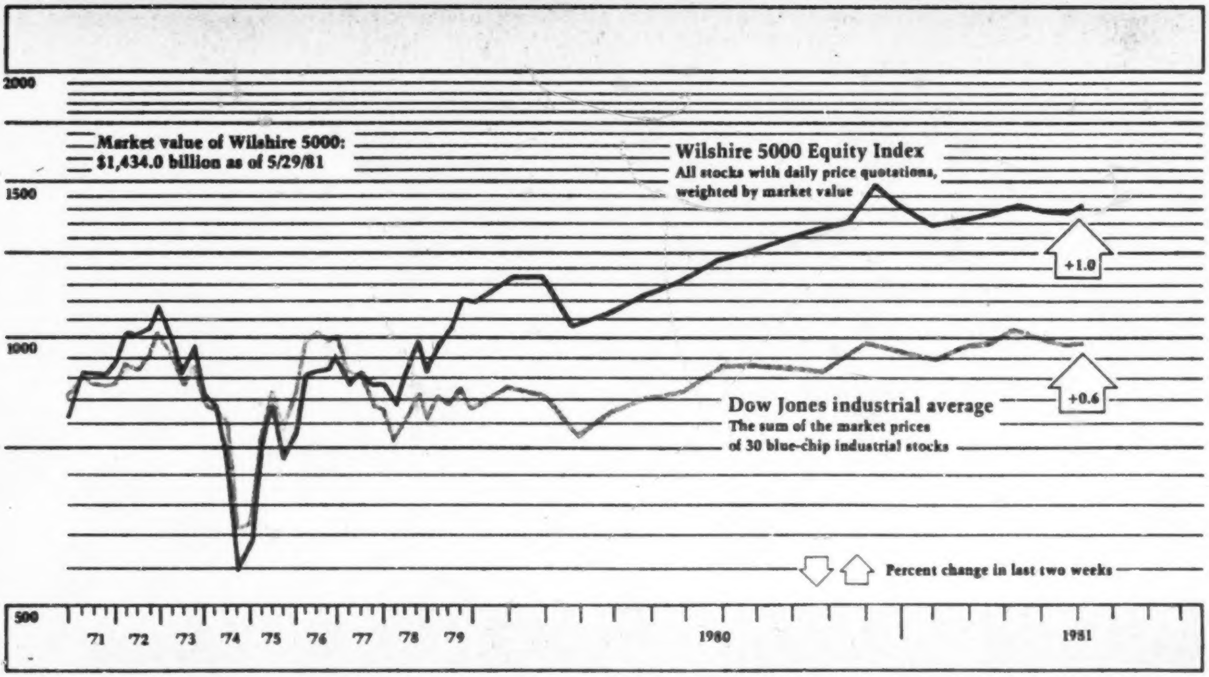
The Forbes/Wilshire 5000 Review



Keep your seat belts fastened! The market snapped out of a dive and appears headed back toward higher altitudes. Wall Street reacted favorably to the most recent round of reductions in the prime rate and some encouraging sales figures from Detroit. All the major market indexes made some headway in the last two weeks. The broadly based Wilshire 5000 gained a full 1%, with the biggest lift coming from the NASDAQ stocks—up 3.2%.

Forgetting the intermediate ups and downs, these have been a great 52 weeks in the stock market. ASE and NASDAQ indexes are up 38.8% and 48.5%, respectively. The 30 ponderous stocks that make up the Dow Jones gained a respectable 16.6% while the S&P's 500 moved up 19.2%.

Roy Anderson, manager of statistical research at Standard & Poor's, says that the S&P's 500 would have done even better but for the flat performance of the major oils. Oils make up approximately 19% of this index. Office and business equipment is another slow group in the S&P's 500. In the past 52 weeks this group, which accounts for about 6% of the S&P's 500, gained only 8%. The ASE index is also heavily weighted by oils. The ASE oils are generally smaller and include exploration and service companies that still charm some speculators. The ASE index shows a tremendous gain of almost 39% over the past 52 weeks.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	1.4	–0.4	0.3	5.8	3.1
in last 52 weeks	25.3	16.6	21.4	38.8	48.5

Stock performance based on five key investor yardsticks

Percent change	Volatility *		P/E multiple		Dividend yield		Growth profile †		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	3.6	0.9	4.4	0.6	0.4	4.3	3.9	1.2	0.6	4.4
in last 52 weeks	78.3	17.0	75.0	33.4	9.9	62.8	66.6	27.5	31.4	64.8

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 5/29/81. Prepared by Wilshire Associates, Santa Monica, Calif.

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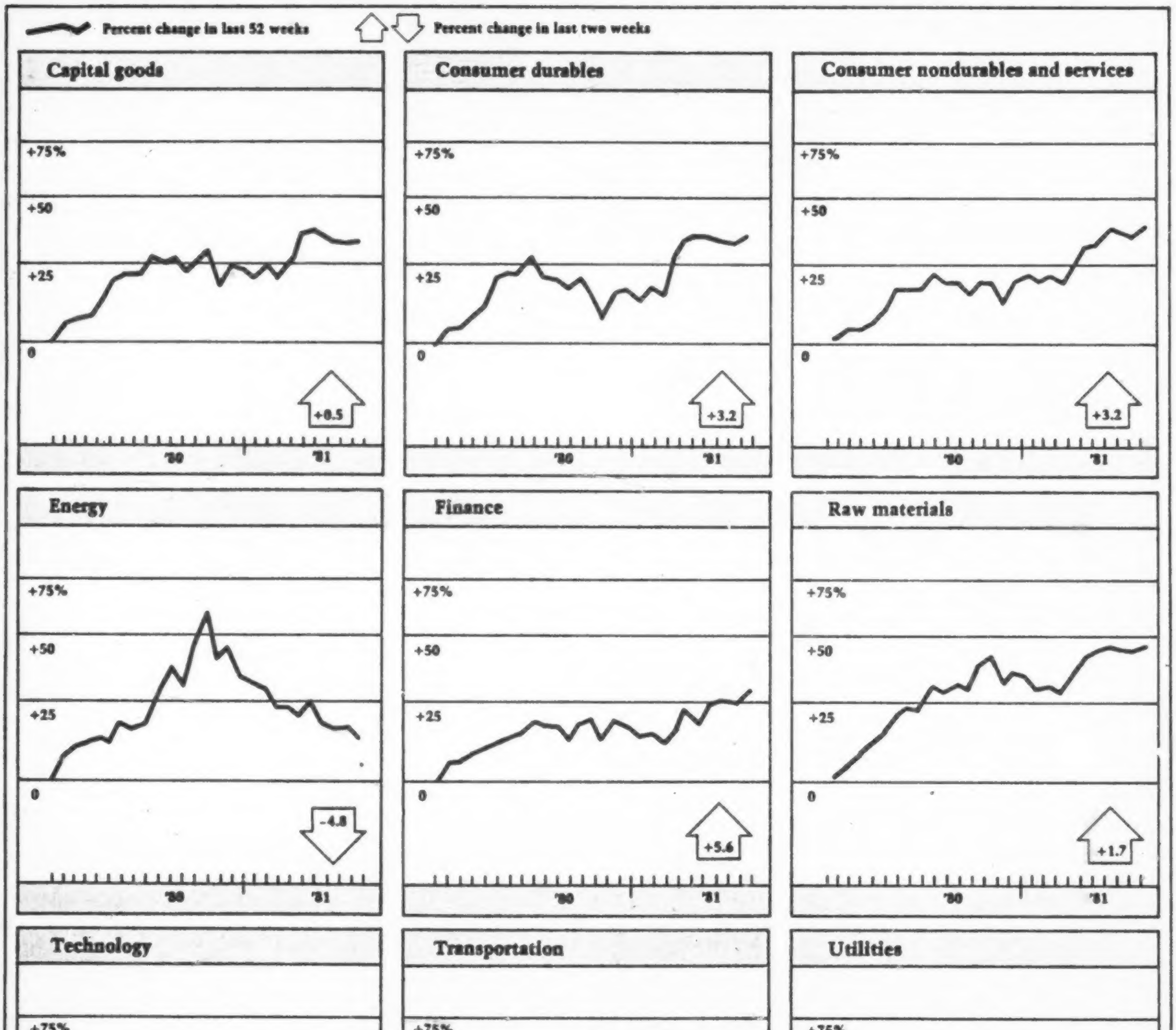
Where The Action Is

Everything else goes up when energy goes down. While the oversupply of oil will crimp the profits of the oil companies it also means less expensive energy and petroleum feedstocks—a plus for almost everyone else.

Outside the energy sector the utilities were the only group that did not perform better in this two-week period than the last. The utilities, however, made big gains in the preceding period, so the lack of movement is neither surprising nor, necessarily, a portent.

The finance sector, up 5.6%, was the best performer in the past two weeks. Merger fever still rages in the brokerage industry, a major component of the finance sector, but banks, too, pepper the new-high lists. Technology rebounded strongly from its decline in the previous period, gaining 4.3%.



Note: All data for periods ending 5/29/81. Prepared by Wilshire Associates, Santa Monica, Calif.

has been R.H. Macy & Co., though he recently sold 5,000 shares at 55 and is still sitting on 15,000 that he bought at an average cost of 27.

Carver contends that his approach is more defensive than offensive. Doing things his way—selling 20% of a position when it hits a new high, buying and selling to take a profit of 15% or 20%—makes it hard to rack up spectacular gains, but it also makes it hard to have spectacular losses. "Our primary goal is the preservation of capital," he says.

The Carver strategy, of course, wouldn't work this well if the markets weren't quite so jumpy and crazy, but for now we can watch Carver, the prudent man of the Eighties, as he turns his portfolio over at 100% a year. The fact that he feels he must do that to be prudent tells us a lot, none of it good, about what the market has come to. ■

Buying stocks on the initial public offering may very well be an exciting game, but it is probably also a losing game.

A cautionary tale

Statistical Spotlight

By Richard Phalon

FEAST YOUR EYES ON THIS list of beauties, which FORBES published 12 years ago at the peak of a hot-issue craze not unlike the one that has been racing through the market for the last nine months or so. What's your pleasure? Something really sexy, like Four Seasons Nursing Centers of America—a steal with an original offering price of $11 a share? Something macho, like Broadway Joe's at $10 a share? Something in a well-shaped media concept, perhaps? What about Downe Communications at $3.33 a share?

It was all late 1960s chic, of course, and long on promise. Four Seasons was a cinch to cash in on the Medicare boom. Broadway Joe's was going to be the toast of, well, Broadway, thanks to its promotional tie to New York Jets quarterback Joe Namath. As for Downe Communications, its income statement and balance sheet were among the best dressed in town. Wasn't that enough?

Emphatically not. As FORBES noted at the time, investing in stock offerings for new businesses is under the best of circumstances a vital but high-risk game—a game that tends to become speculative to the third power when the moon is full and manic investors begin baying.

There were 46 names on that 12-year-old FORBES list, all hot stocks of the day. Reality has dealt harshly with their romantic promises; fulfillment did not follow from fantasy. A half dozen of them filed for bankruptcy, while five others seem to be worth nothing. Another 22 bombed. A total of 33, or 72%, of the group are worth less now, a dozen years later, than they were in 1969. There were only

Whatever happened to Broadway Joe's?

Like 5 of the 46 new stock offerings from 1968-69 listed below, Broadway Joe's was seldom heard from again—except in the bankruptcy courts. When FORBES first ran this list July 15, 1969, we titled it "The Short End of the Deal." That turned out to be most appropriate. If you had invested $1,000 in each of the companies on the list, your $46,000 today would be worth only $45,000—a good number to remember now that the new-issue market is booming again.

Company principal business	Price recent[1]	Price July 1969[2]	% change in price	Current value of $1,000 investment
AIC Photo import & distrib photo equip	$ 7.38	$ 11.64	–37%	$ 634
American Medicorp[3] hospital managment	24.13	31.00	–19	809
Applied Logic[4] computer services	0.00	115.00	–100	0
ET Barwick Industries carpet manufacturer	0.13	14.50	–99	9
Broadway Joe's[4] restaurants	0.00	10.00	–100	0

[1] Recent stock price or recent value of initial investment. [2] Adjusted for subsequent stock splits and stock dividends. [3] Acquired. [4] Bankrupt. [5] Reorganized following bankruptcy. [6] Name changed. [7] Liquidated part of company; new company formed. [8] Sold business and assets; new company formed.

four real winners, which managed to substantially outpace inflation—1 in every 12.

Suppose you had tried to play the game prudently and bought the whole list, putting $1,000 in each issue. How would you have fared? Badly. Your surviving 35 company stocks would have a combined value of $45,000. Adjusted for inflation, your $45,000 would have shrunk to $18,500. You would have been better off investing in medium-term U.S. Treasury bonds; at least the interest would have kept you in walking-around money.

An investment of $1,000 in Gamma Process, Nisarc Computers, Four Seasons, Broadway Joe's or any of seven other debutantes on the list is now worth exactly zero, a total wipeout. Four Seasons and Broadway Joe's are among six of the beauties that have been forced by fell circumstance and their own shortcomings to scurry to the bankruptcy courts for protection from a cold, cold world.

A number of other debs—Downe Communications, for one—found solace in mergers of convenience that kept investors just this side of total loss. Brilliant marriages helped two others (Lockwood and Daniel Construction) produce brilliant investment results, but their centrifugal pull—and that of the only other two real winners on the list—just wasn't enough to bring up the averages.

Has everybody lost money in the debs? Not on your tintype. New-issue booms are good to almost everyone on Wall Street: the underwriters that specialize in the stocks, the generally larger retail houses that share in the distribution; the promoters, of course; and those investors lucky enough to get in—and out—at the right time. Commissions on even reasonably solid companies with demonstrable track records these days run to about 7% of the offering price, and underwriters generally also benefit by buying inside stock at well below the offer.

Those wonderful folks at the now defunct Walston & Co. who gave us Four Seasons Nursing, for example, helped nurse the company along before it went public—a not unusual risk in the underwriting game and a traditional way of developing merchandise to take public. In exchange for the upfront financing, the firm got a lot of $3 stock it sold at $58 a share—not a bad reward, and a considerably more tangible one than any of the clients who might have thought Four Seasons was a great hold at its boom price of 150 times earnings.

Investing in new businesses is, under the best of circumstances, a vital but high-risk game. . . . There were 46 names on that 12-year-old FORBES list, all hot stocks of the day. Reality has dealt harshly with their romantic promises; fulfillment did not follow from fantasy.

Ancient history? Maybe, but the parallels are uncanny if you've been looking at what's been happening to the 1980-81 crop of debutantes. Little numbers like Genentech, long on promise and short on earning power, have been knocking them dead (FORBES, *Nov. 10, 1980*). The speculative moon is full and underwriters are once again pitching new issues out the door. Through the first five months of this year, according to Joel S. Lawson III, managing partner of Howard & Company, a Philadelphia-based consulting firm, the Street moved about $1.5 billion in initial offerings through the hopper—slightly more than was logged in all of 1980. At the current rate, says Lawson, whose firm keeps tabs on the market through its weekly, *Going Public*, the subscription books for 1981 will close on more than $3 billion worth of new offerings—the biggest figure ever, and some 10% more than the previous record of $2.7 billion set in 1972.

What's sparking the boom? More ominous parallels with the great bubble of 1969. Interest rates are so high that equity looks cheap to entrepreneurs in search of capital. The psychological atmosphere, too, seems just right. There's been no crash in the market to frighten investors out of their wits but not much action in big stocks to lure them in, either. So, they play the fringe: hot little stocks and new issues. It doesn't take big capital to move these and the game's exciting while it lasts.

In a game like this, though, you've got to keep bringing fresh excitement to market. Since there are relatively few players, you've got to keep their interest up.

Energy-related issues, for example, are beginning to cool off after a long run. They've become harder to sell, and when they do sell, it is at generally softer multiples of seven or eight times forward earnings, say, than the

Whatever happened to Broadway Joe's?

Company principal business	Price recent[1]	 July 1969[2]	% change in price	Current value of $1,000 investment
California Medical Centers nursing homes	$ 0.00	$11.00	–100%	$ 0
Carrols Development restaurant franchises	7.50	17.62	–57	426
Chicken Unlimited[5,6] fast food	0.38	15.40	–98	25
Commonwealth Industries[6] insurance holding co	18.00	1.73	940	10,405
Daniel Construction[3,6] construction	31.20	5.05	518	6,178
Data Products[6] computer equipment	31.25	12.75	145	2,451
Downe Communications[3] publishing	4.50	23.00	–80	196
Four Seasons Nurs Ctrs[5,6] health care services	0.00	65.75	–100	0
Gamma Process precision instruments	0.00	11.50	–100	0
General Educational Services[6] publishing	16.75	59.50	–72	282

[1] Recent stock price or recent value of initial investment. [2] Adjusted for subsequent stock splits and stock dividends. [3] Acquired. [4] Bankrupt. [5] Reorganized following bankruptcy. [6] Name changed. [7] Liquidated part of company; new company formed. [8] Sold business and assets; new company formed.

ten times earnings that was not uncommon as recently as several months ago.

One major underwriter, for example, thinks consumer issues are the next wave. "Hambrecht & Quist is bringing out a company called Dreyers Grand Ice Cream," he says, "and I've seen an awful lot of interest in Liz Claiborne, Inc., a high-fashion women's clothing manufacturer Merrill Lynch is bringing out this fall."

The analogies with the 1969 and 1972 new-issue booms—both of which ended in collapse—can be pushed too far. At this stage of the cycle, quality still seems to be comparatively high. The players, says Phil Santamaria, head of syndication for Houston's Rotan Mosle Inc., "are definitely looking at the character of the earnings. They're most interested in the better-capitalized firms with track records.

"Of course," he continues, "with the good underwriting calendar now, a lot of substandard deals are being done." John Muir & Co., for example, tends to concentrate on the low-price, speculative end of the new-issue spectrum and has even floated an offering on a Broadway show. Most of the firm's issues, though, demonstrate at least some kind of earning power. Only about 20% of the 19 stocks Muir & Co. has brought out so far this year (it underwrote a total of only three companies in the same period last year) have been outright startups with no track record at all. As the cycle wears on, though, the quality of the merchandise will begin to decline and the number of secondary issues—insiders rushing to cash in on the boom—will rise.

Among the usual clutch of high-tech companies on *Going Public*'s weekly list, one already begins to see an infiltration of hosiery marketers, restaurant chains, financial consulting firms, financial public relations firms and fabricators of swimming pools. Joel Lawson takes that infiltration "as both good and a sign the market is broadening." A good sign for whom? Lawson concedes that as "the market broadens, there's much more room for two or three bad deals to come through."

Play the game if you will but remember the score from last time: only 1 real winner in every 12; a 13% bankruptcy rate; and an overall list that made plenty of money for the insiders and early backers but nary a farthing for the public investor.

Company principal business	Price		% change in price	Current value of $1,000 investment
	recent[1]	July 1969[2]		
General Health Services[3] health care services	$30.00	$27.80	8%	$1,079
Geri-Care Nursing Centers[6] health care services	2.75	18.00	–85	153
L.S. Good & Co[4] retail	0.00	3.02	–100	0
Gorins[6] retail	7.00	11.50	–39	609
Industrial Air Products[3] industrial gases	13.52	13.75	–2	983
Integrated Resources financial services	17.25	24.51	–30	704
Leisure Group recreational equip	0.19	28.50	–99	7
Lockwood[3] rubber products	26.00	6.00	333	4,332
Herman Marcus apparel	0.25	8.75	–97	29
Medic-Home Enterprises health care services	5.75	20.84	–72	276
National Beef Packing[3] meat packing	17.75	13.50	32	1,315
National Silver Industries housewares	6.00	12.00	–50	500
Nationwide Industries[3] leasing	0.60	9.00	–93	67
Nisarc Computers Ltd data processing	0.00	12.00	–100	0
Oceans General[3] real estate	16.13	8.00	102	2,016
Performance Systems[6] micrographics	5.38	65.00	–92	83
Professional Health Services health care services	0.00	14.63	–100	0
RH Medical Services[7] health care services	33.50	8.14	312	4,121
Robinson Furniture[6] retail furniture stores	0.00	11.50	–100	0
Saga Administrative[6] industrial services	18.50	21.00	–12	881
F&M Schaefer[3] brewing	7.40	43.25	–83	171
Scientific Components[3] computer services	0.30	12.25	–98	25
Skyline Oil[3] oil & gas	50.50	20.30	149	2,487
Stage Delicatessen[6] restaurants	0.25	102.50	–100	2
STP[3] oil additives	22.50	27.00	–17	833
Unibraze[8] brazing and welding alloys	8.13	6.50	25	1,251
United Convalescent Hospitals[3] health care services	25.00	41.35	–40	605
Universal Airlines airline	0.00	10.50	–100	0
Viatron Computer Systems[4] computer equipment	0.00	24.50	–100	0
Wiener Shoes[6] retail shoe stores	5.38	5.23	3	1,029
Wigwan Stores retail	1.00	11.00	–91	91

[1] Recent stock price or recent value of initial investment. [2] Adjusted for subsequent stock splits and stock dividends. [3] Acquired. [4] Bankrupt. [5] Reorganized following bankruptcy. [6] Name changed. [7] Liquidated part of company; new company formed. [8] Sold business and assets; new company formed.

Japanese stocks are rallying on the Tokyo exchange and—through ADRs—in the U.S.

Catching a ride

By Paul Bornstein

WHILE THE U.S. STOCK MARKET was backing and filling, the Tokyo Stock Market has been forging ahead. Since the beginning of the year the Nikkei Dow Jones average has advanced from 7063 to 7529—a 6.5% gain, while the U.S. Dow Jones industrial average gained only 3% and the S&P's 500 decreased 1%.

Americans can catch a bit of a ride on the Japanese market via ADRs—American Depositary Receipts—the equivalent of one or more shares in a foreign company. ADRs are traded just like regular stock certificates and free investors from dealing with foreign custodians, transfers and taxes. Some of the largest Japanese companies have several billion yen-denominated shares outstanding. Sony, for example, has 2.2 billion Japanese shares. Ten Japanese Sony shares equal one Sony ADR.

The better-known issues are listed below. This small group has performed better than the Tokyo market, gaining an average of 26% since the beginning of the year.

There are some big winners—like Honda Motor, up 85%, which reported record earnings of $1.10 per ADR in the latest quarter, up 57% from last year; Matsushita Electric, up almost 86%; Hitachi, 78%; and Sony, 60%.

What's the outlook from here on? "ADRs will never again be offered at bargain basement prices. But there's no reason they won't make great gains in the future," notes Paul Aron, executive vice president of Daiwa Securities America. Aron is especially bullish on electronics, particularly in companies like Hitachi and Sony in good consumer growth markets such as videocassette recorders. Nicholas Reitenbach of N. Reitenbach & Co. is also optimistic. "Maybe trade restrictions will have a psychological impact on Japanese auto stocks," he says, "but the outlook for the rest of the ADR stocks is good—in electronics, brewing, pharmaceuticals and tractor manufacture."

Through ADRs, U.S. ownership of Japanese companies is steadily increasing. "In just the past 12 months," says Robert Renck, vice president of Oppenheimer & Co., "U.S. ownership in some Japanese stocks, such as Sony, has gone from 7% to about 38%." Honda is another well-known Japanese company in which as much as a third of the stock is now owned by Americans.

Made in Japan

Americans have been investing in major Japanese companies at record rates. Since December 1980 ADRs (American Depositary Receipts) of the companies listed below have appreciated an average of 26%. Honda and Matsushita have almost doubled. Note the low yields: The emphasis here is on growth, not payouts.

Company/principal business	Revenues latest fiscal yr* (millions)	Recent ADR price	Price change since 1/2/81	Latest 12-month earnings per ADR	Price/earnings ratio	Dividend	Yield	Book value per ADR*
Canon/camera, copiers	$ 2,047	32¼	46.6%	$2.05	16	$0.22	0.7%	$ 10.62
Daiei/retail	5,594	5½	– 17.0	0.38	14	0.04	0.7	3.89
Fuji Photo Film/photo products	2,271	76⅝	73.7	5.23	15	0.28	0.4	32.30
Hitachi Ltd/electrical equip, electronics	13,388	57⅝	78.0	4.24	14	0.55	1.0	29.73
Honda Motor/motorcycles, autos	7,980	47	85.2	6.06	8	0.44	0.9	21.85
Japan Air Lines/airline	2,975	103⅞	– 6.4	NA	NA	1.50	1.4	NA
Kirin Brewery/brewery	1,969	19⅛	– 7.8	1.44	13	0.28	1.5	11.20
Kubota/agricultural equip	2,260	33	2.3	1.29	28	0.60	1.8	14.19
Kyoto Ceramic/ceramic products	459	42½	36.0	2.12	20	0.26	0.6	9.10
Matsushita Elec Ind/electronics	13,690	78¼	85.8	4.63	17	0.40	0.5	37.52
Mitsui & Co/trading company	42,808	27½	–9.5	2.84	10	0.56	2.0	18.00
Nippon Electric/electronics	3,452	87⅛	28.1	2.29	38	0.62	0.7	14.57
Nissan Motor/automotive	13,230	36⅝	5.4	2.76	13	0.52	1.4	19.89 E
Pioneer Electronic/consumer electronics	1,366	34⅞	48.4	1.96	18	0.30	0.9	12.93
Sanyo Electric/appliances	4,368	55	40.1	3.60	15	0.53	1.0	24.76
Shiseido/cosmetics	1,364	37½	– 11.2	2.37	16	0.37	1.0	29.33
Sony/consumer electronics	4,231	24¾	59.7	1.51	16	0.13	0.5	7.15
TDK Electronics/audio tapes	994	47¾	52.2	1.93	25	0.17	0.4	9.40
Tokio Marine & Fire/insurance	1,897	171	7.7	9.04	19	1.02	0.6	142.87
Toyota Motor/automotive	15,184	48	31.5	3.97	12	0.53	1.1	27.09

*Conversion rate at fiscal year-end. E: Estimate. NA: Not available. *Sources: Nomura Securities; Standard & Poor's;* The Value Line Investment Survey; FORBES

NOTE

ONLY THE FOLLOWING PAGES OF THIS
PUBLICATION HAVE BEEN FILMED

Cover 1, p. 4-5, 34, 83-86,
88, 90-92, 94, 96-97, 142-
143, 163-164, 186, 188-190.

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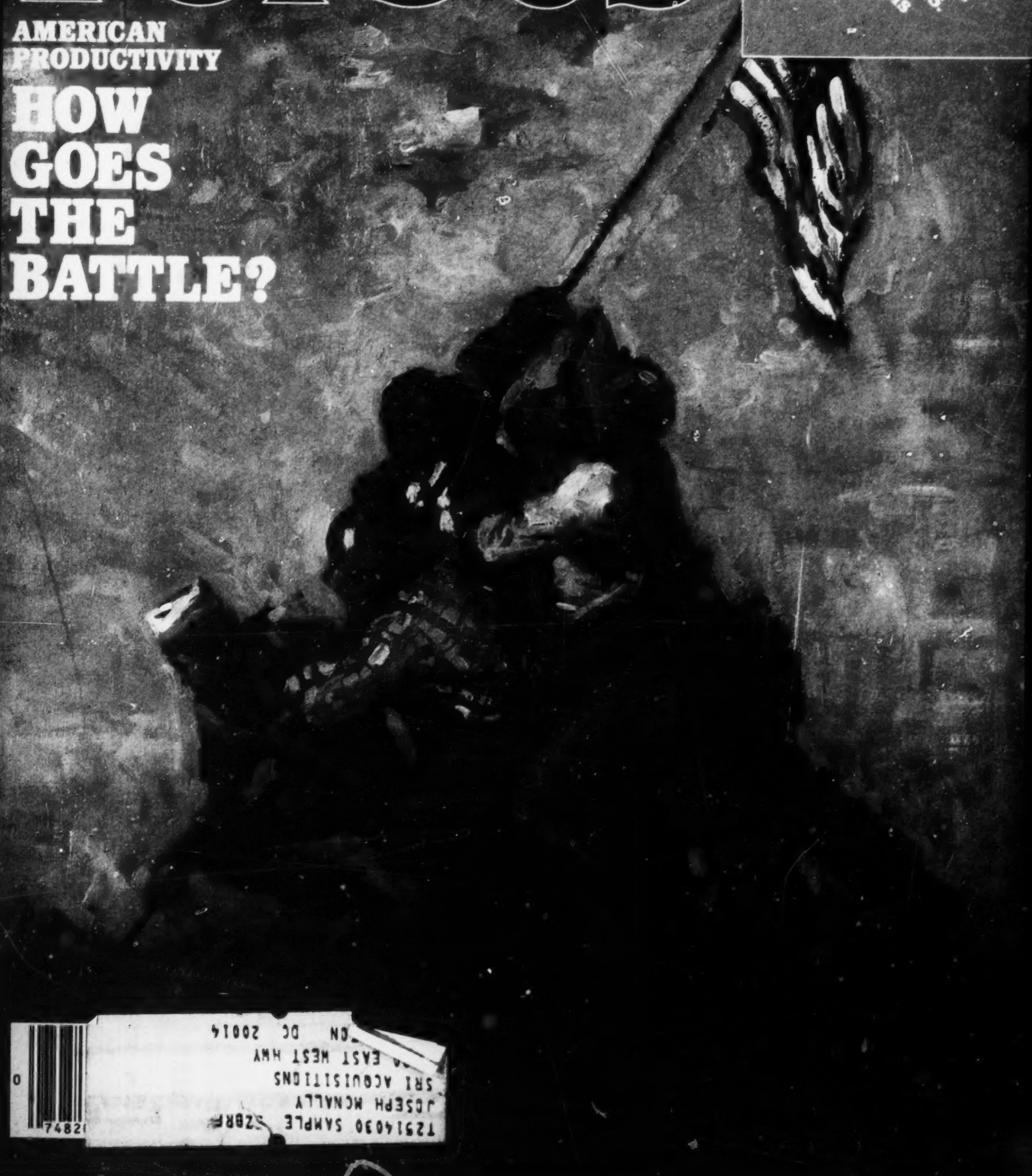
Forbes

pecial Report
The 100 largest U.S.
multinationals

AMERICAN PRODUCTIVITY

HOW GOES THE BATTLE?



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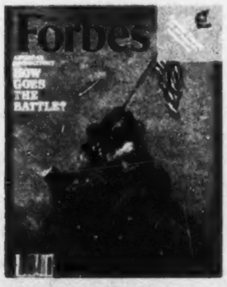
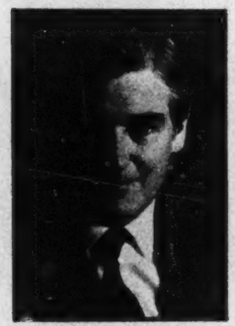
Forbes

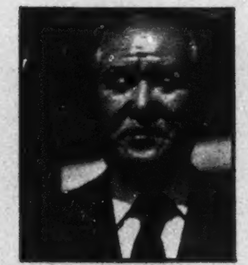
July 6, 1981
Volume 128,
Number 1



105 Cover Story: Whatever the U.S.' productivity problems, think twice before blaming them on the American worker.



39 Consolidated Gold Fields: Is it acting for itself or Harry Oppenheimer?



50 Banks: This time around, it isn't Zaire, Turkey or Poland.

39 Companies:
Consolidated Gold Fields Ltd.
Is the hand of Harry Oppenheimer behind ConsGold's bid for up to 49% of Newmont Mining Corp.? More likely it's just as Rudolph Agnew says: "The mining industry is too important to leave to the oil industry."

41 Companies:
British Petroleum
Its controlling voice goes a long way toward explaining Sohio's courtship of Kennecott.

43 Oil And Gas:
Royalty Trusts
They're clever, all right. Maybe a little too clever.

44 Refineries:
OPEC To The Rescue?
These may be dismal days for U.S. oil refining, but investors from the Organization of Petroleum Exporting Countries are saying this is the time to buy.

45 Companies:
Papercraft Corp.
Christmas in July.

50 The Banks:
Plunging In Japan
Fair warning: It's no longer a no-lose proposition.

52 As I See It:
George Champion
The former boss of Chase Manhattan finds lots of changes in the banking business—but not necessarily improvements.

58 Motion Pictures:
Coppola's Canadian Angel
Why has Jack Singer sunk $8 million in a half-finished movie awash in red ink? Because he's interested in how that movie is being made.

64 Companies:
PPG Industries
Look beyond the gas—and the glass.

68 Companies:
Ex-Cell-O
"When I retire I'm going to hand this company over squeaky clean," says Ed Giblin. The way he's been going so far, he just may be able to do it.

72 Profiles:
Suliman Olayan
A rare inside glimpse of perhaps the most important private Saudi investor in the U.S.

81 Companies:
Rogers Cablesystems Inc.
Ted Rogers' father was the David Sarnoff of Canada, but, unlike Sarnoff, he didn't build an organization to go with his vision. His son is redressing that.

83 Special Report:
Spotlight On International Business

84 The 100 Largest Foreign Investments

92 The 100 Largest U.S. Multinationals

96 The 100 Largest Foreign Corporations

98 The Up-And-Comers:
CPT Corp. And NBI Inc.
Dean Scheff and Tom Kavanagh both started companies that make word processors. Both are hugely successful. But the two differ fundamentally in their strategies.

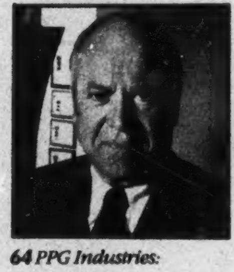
102 Taxing Matters:
What The States Are Up To
A progress report on a never-ending struggle.

105 Cover Story: The American Worker
Is the work ethic dead? Not on your life; there's nothing seriously wrong with American productivity that couldn't be cured by sounder tax laws and more enlightened and longsighted management.

114 The Numbers Game:
The LIFO Cushion
Remember when Congress decided to tax it but backed off in the face of an outcry from business? A lot of businessmen have forgotten all about that—which may turn out to have been a mistake.

116 Companies:
IBM
Plenty of other erstwhile glamour stocks are making heavy weather, too, but IBM's fall from grace has been extraordinary.

58 Investor Jack Singer: "I got a look at the technology."



64 PPG Industries: Stan Williams doesn't waste time complaining of his bad luck. He's doing too well with the other half of PPG.

114 The Numbers Game: Remember the LIFO tax? It hasn't gone away.

130 Towle: The staid silver industry used to sneer at upstart Leonard Florence. Nobody's sneering now.

Faces Behind The Figures

121 Eiji Toyoda,
Toyota Motor Co.
121 Johannes B. Sumarlin,
Indonesian Government
124 Margery Hurst,
Brook Street Bureau of Mayfair Ltd.
124 Stig Anderson,
ABBA
127 Wanda Jablonski,
Petroleum Intelligence Weekly
127 James T. Kearney,
Spoleto Festival U.S.A.
128 Herman Smith,
National Association of Home Builders
128 Alfred J. Stein,
Arrow Electronics

130 Companies:
Towle Manufacturing
A showman shakes up a patrician industry.

Personal Affairs

135 Protecting yourself from terrorists; squirreling away more—a lot more—in your Keogh plan; hiring a private eye.

142 Special Report:
The Booming Computer Services Industry
Seven contenders in the growth industry's growth industry.

180 The Funds:
Madison Fund Inc.
Derald H. Ruttenberg wants to help you maintain your independence—by taking a position of, say, 30%.

181 The Money Men:
John Wright of Wright Investors' Service
The system's the thing.

184 The Streetwalker:
Curtiss-Wright, Boeing, Gold
Dr. Singleton, we presume; Boeing hits an air bump; and why both bulls and bears on gold stocks agree "it's time to do some homework."

189 Statistical Spotlight:
Get 'Em While They're Down
What happens after a stock hit its low?

Money And Investments

33
What's Ahead For Business?
34
The Forbes Index
163
The Forbes/ Wilshire 5000 Review

Columnists

169
Ben Weberman
170
Heinz H. Biel
171
Srully Blotnick
172
David Dreman
174
Ashby Bladen
176
John Train
178
Ann C. Brown
179
Stanley W. Angrist

Departments

8
Side Lines
10
Trends
12
Follow-Through
18
Readers Say
23
Fact and Comment
28
Other Comments
194
Editorial Index
195
Flashbacks
196
Thoughts

Photos:
8, Jim Pickerell; 12, Wide World; 24, State Historical Society of Wisconsin; 45, John Grossman; 47, Louise Gubb/Liaison; 50, Brad Markel/Black Star; 52, Gregg Mancuso; 54, 124 top, 140, Robert Forbes; 58, 153, Jim McHugh; 64, Sal Di Marco/Black Star; 68, J. Edward Bailey; 72, 74, 127 top, James Pozarik/Liaison; 81, Joe Traver/Liaison; 98, Richard Sparks; 121 left, Gamma Liaison; 121 right, 124 bottom, 128 top, 130, 142, 144, 148, Bill Kelly; 127 bottom, T.P. Ford; 128 bottom, Michael Moore; 135, 136, Christopher Harris/Liaison; 160, Steve Liss/Liaison; 161, Michael Salas; 180, Larry Barns; 182, Kim Steele
Charts: 40, Ilil Arbel; 42, Robert Ritter

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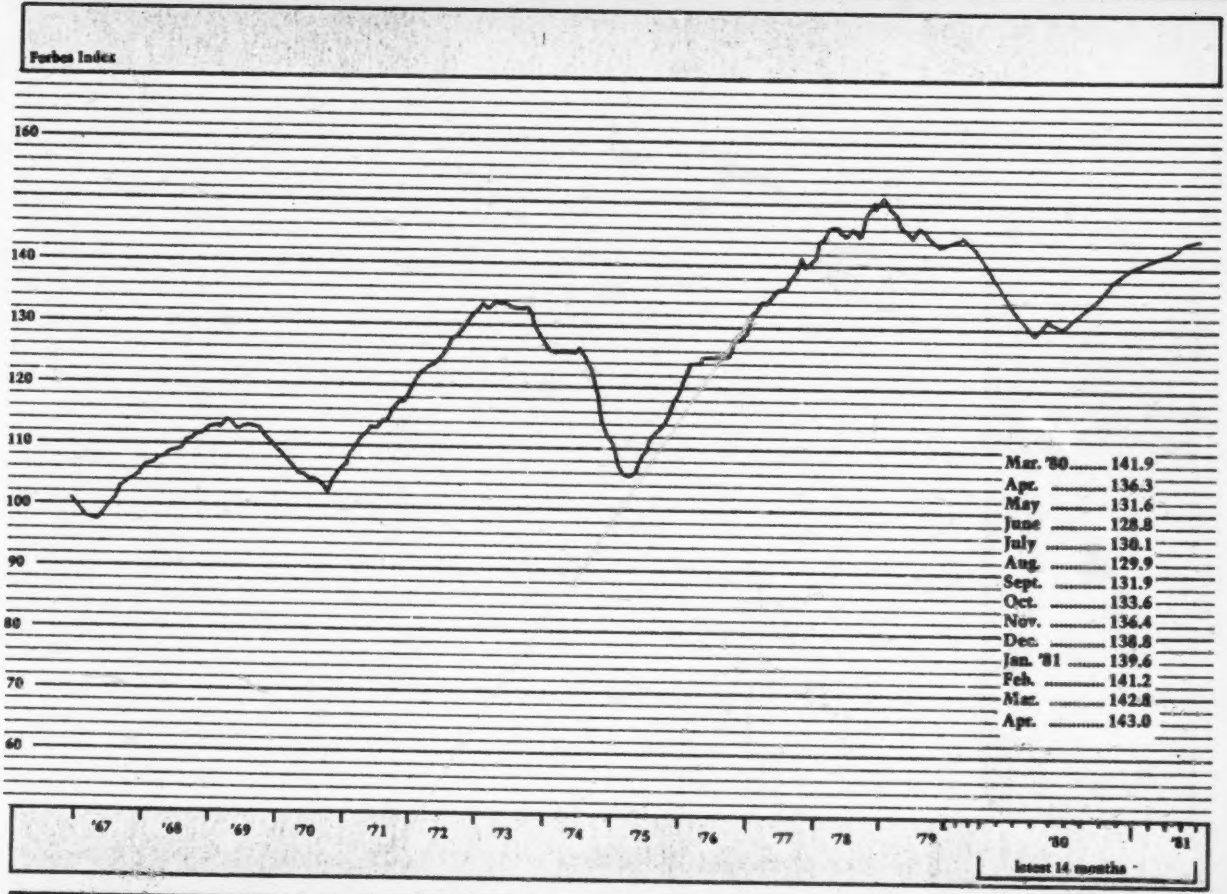
The Forbes Index



Mar. '80	141.9
Apr.	136.3
May	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.6
Feb.	141.2
Mar.	142.8
Apr.	143.0

The Forbes Index Components

Is a downturn coming? The revised Forbes Index for April shows only a 0.1% increase, by far the smallest in eight months. The main reason: a 2.5% decline in the ratio of consumer loan borrowings to loan repayments. Total consumer debt, in fact, dropped by almost $1 billion in the current reporting period. What kept the Index from turning down? A decline in the number of unemployment claims.

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

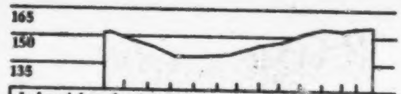
Total retail sales

New housing starts

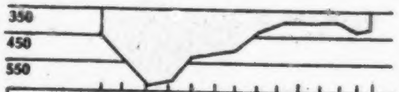
Personal income

The change in the amount of consumer installment debt outstanding

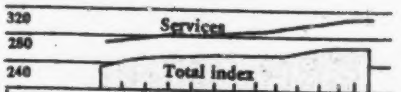
To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



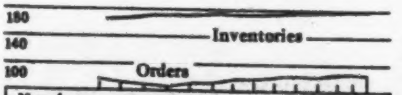
Industrial production index (1967=100) seasonally adjusted (Federal Reserve)



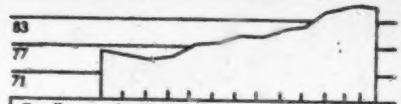
Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)



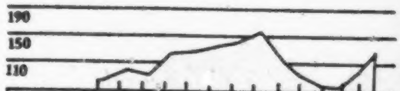
Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)



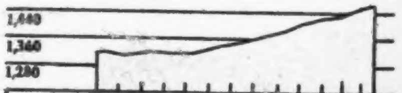
Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



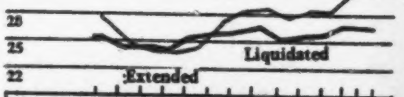
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)



New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

Special Report
Spotlight on International Business

New faces in an age of megadeals

The 100 largest foreign investments in the U.S.

Renault, the French automaker, acquires a 46% share in American Motors to jump from nowhere to the number 9 spot in FORBES' rankings of the 100 largest foreign investments in the U.S. Brascan Ltd., the Canada-based holding company controlled by the Bronfman family, ups its stake in Scott Paper to over 20%, propelling it, too, onto the list for the first time, in the number 14 position.

So it goes in an age of megadeals. Even if the U.S. dollar should remain strong vis-à-vis other currencies long after interest rates here decline, foreign appetites for investing in the U.S. are not likely to diminish. Their stake is already sizable. The 100 largest foreign investors in the U.S. listed on the following pages commanded—through outright ownership, control or partial interests—$179 billion in sales revenues last year, up 27% from 1979. Varying disclosure standards make it impossible to compile totals for profits and assets (note the number of "not available" entries), but it may be of some interest that the *in*complete list of the top 100s' assets in the U.S. totaled about $170 billion last year, up 30%, and the incomplete profit total was approximately $6.7 billion, up 34%.

Britain remains the most important home base for foreign investors in the U.S.; 27 of the top 100 investments involve U.K. firms. But the activity north of the border puts Canada in second place, with 18. West Germany is third with 16. Japan? Its largest U.S. investment is Matsushita Electric's wholly owned U.S. distributor of Panasonic, which puts it 26th on the list.

The 100 largest foreign investments in the U.S.

Foreign investor	Country	U.S. company	% owned	Industry	Reven[illegible] (mill[illegible]	[illegible]e [illegible])	Assets (millions)
1 Anglo American Corp of So Africa Ltd[1]	So Africa						
Minerals & Resources	Bermuda	Engelhard Min & Chem[1, 2]	32%	diversified metals	$[illegible]	$ 532.7	$ 6,301
		Inspiration Consol Copper	50	copper	178	–17.7	199
Hudson Bay M&S[1]	Canada	Terra Chemicals Intl[1]	55	fertilizer	299	10.3	160
					27,047		
2 Royal Dutch/ Shell Group[1]	Netherlands	Shell Oil Co[1]	69	oil	19,830	1,542.0	17,615
	UK	Scallop Corp	100	oil	4,734[3]	NA	8,481[3]
		Massey Coal Co	50	coal			
		Billiton Metals & Ores USA	100	metals			
		Ocean Minerals	43	metals			
		General Atomic Co	50	nuclear			
					24,564[3]		
3 British Petroleum Ltd[1]	UK	Standard Oil Ohio[1]	53	energy	11,023	1,811.2	12,080
4 Tengelmann Group	Germany	Great A&P Tea[1]	50	supermarkets	6,990	–43.0	1,309
5 Friedrich Flick Group	Germany	WR Grace[1]	26	chemicals, multicompany	6,101	283.8	4,365
6 Générale Occidentale SA	France	Grand Union	100	supermarkets	3,626[3]	34.3	NA
		Diamond International[1]	29	packaging, lumber	1,283	40.6	943
					4,909		
7 B.A.T Industries Ltd[1]	UK	BATUS	100	paper, retailing, tobacco	3,700[3]	NA	NA
		Germaine Monteil	100	cosmetics	500[3]	NA	NA
					4,200[3]		
8 Beneficiaries of US Philips Trust	Netherlands	North American Philips[1]	62	electronics	2,658	74.5	1,518
9 Regie National des Usines Renault	France	American Motors Corp[1]	46	automobile	2,553	–197.5	1,029
10 Nestlé SA	Switzerland	Nestlé Co	100	food	2,400[3]	NA	NA
		Cain's Coffee	100	coffee			
		Libby, McNeill & Libby	100	food			
		Stouffer Corp	100	food, restaurants			
		Alcon Laboratories	100	drugs			
		Beech-Nut Foods Corp	100	baby foods			
11 Bayer AG	Germany	Mobay Chemical Corp	100	chemicals	1,070	54.1	1,197
		Miles Laboratories	100	health care	686	6.6	636
		Cutter Laboratories	100	health care	330	2.9	369
		Helena Chemical Co	100	chemicals	283	NA	NA
		Haarmann & Reimer Corp	100	chemicals	19	NA	NA
					2,388		
12 Unilever NV[1]	Netherlands	Lever Brothers Co	100	consumer goods	1,037	–16.9	446
		Thomas J Lipton Inc	100	food	798	42.8	445
		Natl Starch & Chemical	100	adhesives, starches	552	33.4	383
					2,367		
13 Petrofina SA	Belgium	American Petrofina Inc[1]	71	petroleum	2,098	104.3	1,188
		Finadel	100	petroleum	25	–0.6	96
					2,123		
14 Brascan Ltd[1]	Canada	Scott Paper[1]	21	paper products	2,083	133.5	2,014
15 Schlumberger NV[1]	Netherlands Antilles	Schlumberger Technology	100	oilfield services & elec	1,885[3]	450.0[3]	1,438[3]
		Fairchild Camera	100	semicond & test equip			
16 Hongkong & Shanghai Banking Corp[1]	Hong Kong	Marine Midland Banks[1]	51	banking	1,859	55.9	17,480
17 George Weston Ltd	Canada	Interbake Inc	100	biscuits	260[3]	NA	NA
		Stroehmann Brothers Co	100	bakery			
		Eastern Fine Paper	100	fine paper			
Loblaw Companies	Canada	Peter J Schmitt	87	wholesale food	378	NA	NA
		National Tea Co	84	supermarkets	1,219	8.7	271
					1,857[3]		
18 Volkswagenwerk AG	Germany	Volkswagen of America	100	auto, auto parts	1,300	NA	700[3]
		Triumph Adler Inc	100	business machines, information systems	500[3]	NA	NA
					1,800[3]		

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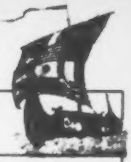

The 100 largest foreign investments in the U.S.

Foreign investor	Country	U.S. company	% owned	Industry	Revenue (millions)	Net income (millions)	Assets (millions)
19 Imperial Chemical Industries Ltd[1]	UK	Fiber Industries	38%	man-made fibers	$940[3]	NA	$501[3]
		ICI Americas Inc	100	drugs, chemicals	802	NA	NA
		Rubicon Chemicals Inc	50	chemicals	NA	NA	NA
		Corpus Christi Petrochemical Co	38	petrochemicals	NA	NA	NA
					1,742[3]		
20 Ciba-Geigy Ltd	Switzerland	Ciba-Geigy Corp	100	chemicals, drugs, consumer goods	1,700[3]	NA	1,300[3]
21 Canadian Pacific Ltd[1]	Canada	Soo Line Railroad[1]	56	railway	325	$34.0	485
Canadian Pacific Enterprises Ltd	Canada	Canadian Pacific Enterprises (U.S.) Inc	100	agric products, china, industrial minerals	1,363	34.2	417
					1,688		
22 Inco Ltd[1]	Canada	Inco ElectroEnergy	100	batteries, elec motors	856	NA	684
		International Nickel	100	primary metals	438	NA	76
		Huntington Alloys	100	metal products	327	NA	381
		other companies	100	various	42	NA	85
					1,663		
23 BASF AG[1]	Germany	BASF Wyandotte Corp	100	chemicals	1,010	–65.1	767
		Badische Corp	100	fibers, chemicals	453	16.9	328
		BASF Systems Corp	100	magnetic media	66	NA	NA
		Fritzsche Dodge & Olcott Inc	100	flavors/fragrances	118	NA	NA
		Cook Industrial Coatings	50	automotive coatings			
		Knoll Pharmaceutical Co	100	fine chemicals & drugs			
					1,647		
24 Cie Française des Pétroles	France						
Total Petroleum NA Ltd	Canada	Total Petroleum Inc	100	oil	1,567	NA	965
25 Hanson Trust Ltd[1]	UK	McDonough	100	footwear, cement, handtools	451	21.6	208
		Hygrade Food Products	100	meat processors	448	10.7	NA
		Interstate United	100	food service management	343	9.8	NA
		Hanson Industrial Services	100	specialty textiles	208	17.7	NA
		American Farm Products	100	fishing, agric prod	57	9.3	NA
					1,507		
26 Matsushita Electric Industrial Co Ltd[1]	Japan	Matsushita Electric Corp of America	100	electronics	1,500[3]	NA	NA
27 Canada Development Corp	Canada	Texasgulf Inc[1]	35	mining	1,090	286.5	2,010
		Polysar Ltd	100	petrochemicals	276	NA	118
		other companies	100	electronics, life sciences, oil, gas	34	NA	94
					1,400		
28 Alusuisse	Switzerland	Consolidated Aluminum	80	aluminum	928	20.0	517
		Maremont Corp	100	automotive parts	400[3]	NA	NA
		Lonza Inc	100	chemicals	NA	NA	NA
					1,328[3]		
29 Dalgety Ltd	UK	Dalgety Foods Inc	100	frozen foods	1,300[3]	NA	208[3]
		Martin-Brower Co	100	food distribution			
		Pig Improvement Co	100	pig breeding			
		Modern Maid	100	food coatings			
30 Hoechst AG[1]	Germany	American Hoechst	100	chemicals	1,290	–10.0	1,200
31 Seagram Co Ltd[1]	Canada	Joseph E Seagram & Sons	100	spirits, wines, oil, gas	1,286	115.0	2,249
32 Alcan Aluminium Ltd[1]	Canada	Alcan Aluminum Corp	100	aluminum	1,273	33.0	697
33 Thomas Tilling Ltd	UK	Thomas Tilling Inc	100	energy, medical supplies, electrical prod, other	1,209	35.0[3]	562[3]
34 Imperial Group Ltd[1]	UK	Howard Johnson Co	100	hotel & restaurants	551[3]	NA	NA
		Country Pride Foods	100	poultry, food supplier	627	NA	NA
		Lea & Perrins Inc	85	sauces	15	NA	NA
					1,193[3]		

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The 100 largest foreign investments in the U.S.

Foreign investor	Country	U.S. company	% owned	Industry	Revenue (millions)	Net income (millions)	Assets (millions)
35 Pechiney Ugine Kuhlmann	France	Howmet Aluminum Corp	100%	aluminum products	$549	$102.0	$668
		Howmet Turbine Components Corp	100	engine castings	643		
					1,192		
36 General Electric Ltd[1]	UK	Picker International	80	medical equipment sys	650	NA	NA
		AB Dick	100	office equipment	448	NA	NA
		Alco Power	100	diesel engines	82	NA	NA
					1,180		
37 Commercial Union Assurance Co Ltd	UK	Commercial Union Corp	100	insurance	1,179	41.1	2,139
38 Genstar Ltd[1]	Canada	Flintkote Company	100	building materials	780	NA	610
		Genstar Fincl Services	100	financial services	358	NA	528
		Genstar Pacific Corp	100	land/real estate			
		Genstar Properties	100	land/real estate			
		Genstar Conservation Systems Inc	100	building materials			
					1,138		
39 Thyssen AG[1]	Germany	Budd Co	100	automotive parts	1,132	NA	NA
40 Moore Corp Ltd[1]	Canada	Moore Business Forms	100	business forms	1,128	NA	604
		FN Burt Co	100	packaging			
41 Rhône-Poulenc SA	France	Morton-Norwich Products[1]	20	salt, food, chemicals	847	47.7	621
		Rhône-Poulenc Inc	100	chemicals, phototypesetting	225	NA	160
					1,072		
42 Delhaize-Le Lion SA	Belgium	Food Town Stores Inc[1]	52	supermarkets	544	15.3	106
		Alterman Foods Inc	100	supermarkets	524	0.1	69
					1,068		
43 Siemens AG[1]	Germany	Siemens Corp	100	medical & communications, electronics, components	587	NA	724
		Siemens-Allis Inc	50	power engring prods	480	NA	300
		Siecor Inc	50	telephone & fiber optical cables			
		General Numeric Corp	50	computer controls			
					1,067		
44 Hugo Mann	Germany	Fed-Mart[1]	88	department stores	1,062	–6.3	313
45 Royal Ins Co Ltd	UK	Royal Group	100	insurance	1,058	49.9	2,049
46 Akzo NV[1]	Netherlands	Akzona[1]	66	chemicals, fibers	1,054	4.9	847
47 BOC International[1]	UK	Airco	100	industrial gases	1,012	45.1	1,016
48 Grand Metropolitan[1]	UK	Liggett Group Inc	100	tobacco, drinks & foods	1,004	72.3	790
49 Sony Corp[1]	Japan	Sony Corp of America	100	consumer electronics	1,000	NA	550[3]
50 Mitsui & Co Ltd[1]	Japan	Alumax	45	aluminum	968	104.1	1,049
51 F Hoffmann-La Roche & Co Ltd	Switzerland	Hoffmann-La Roche Inc	100	drugs, chemicals	950[3]	NA	NA
52 Massey-Ferguson Ltd[1]	Canada	Massey-Ferguson Inc	100	farm & indust machinery	846	NA	1,045
		Perkins Engines Inc	100	diesel engines	101	NA	52
					947		
53 Saint-Gobain-Pont-à-Mousson[1]	France	CertainTeed Corp[1]	55	building supplies	868	0.3	694
54 Noranda Mines Ltd	Canada	Noranda Aluminum	100	aluminum	663	33.8	522
		Norandex	100	aluminum fabricating			
		Norandal	100	aluminum fabricating			
		Fraser Paper	65	paper mfr			
MacMillan Bloedel Ltd	Canada	MacMillan Bloedel Inc	100	forest products	175[3]	NA	250[3]
					838		
55 6 European banks	6 countries	European Amer Bancorp	100	banking	823	30.8	7,771
56 Consolidated Gold Fields Ltd[1,4]	UK	Azcon Corp	100	steel	447	16.1	261
		ARC America Corp	100	concrete	231	6.3	132
		Newconex Corp	100	drilling rigs	125	1.5	114
		other companies	100	exploration, investments	12	–9.1	254
					815		

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Foreign investor	Country	U.S. company	% owned	Industry	Revenue (millions)	Net income (millions)	Assets (millions)
57 Nova	Canada						
Husky Oil Ltd	Canada	Husky Oil Co	100%	petroleum	$628	$22.1	$620
		Husky Industries	100	carbon & charcoal	56		
		Gate City Steel	100	steel	98		
					782		
58 Bank of Tokyo Ltd[1]	Japan	Bank of Tokyo Trust	100	banking	395	12.2	3,947
		California First Bank[1]	74	banking	382	18.2	3,621
					777		
59 Trade Development Bank Holding	Luxembourg	Republic NY Corp[1]	61	banking	771	57.7	6,447
60 Thyssen-Bornemisza NV	Netherlands	Indian Head	100	diversified mfr	770[3]	NA	NA
61 Bowater Corp Ltd[1]	UK	Bowater North America	100	lumber, pulp & paper	728	NA	NA
		Catawba Newsprint Co	51	lumber, pulp & paper			
		Bowater Computer Forms	100	lumber, pulp & paper			
62 General Accident Fire & Life Ltd	Scotland	General Accident F&L	100	insurance	710	91.3	1,621
		Potomac Insurance Co	100	insurance			
		Camden Fire Assurance	100	insurance			
		Pennsylvania General Ins	100	insurance			
62 Babcock Intl Ltd[1]	UK	Babcock International Inc	100	diversified mfr, engineered products	710	NA	473
64 Davy Corp Ltd	UK	Davy Inc	100	hvy constr & engineering	700[3]	NA	240[3]
65 AB Electrolux	Sweden	Dometic Inc	100	appliances	693	18.1	419
66 Standard Chartered Bank Group	UK	Union Bank	100	banking	681	32.2	7,004
67 Bell Canada	Canada						
Northern Telecom Ltd	Canada	Northern Telecom Inc	100	telecommunications	675	NA	709
67 Beecham Group Ltd[1]	UK	Beecham Inc	100	drugs, consumer products	675	NA	525
		Jovan Inc	100	cosmetics & fragrances			
69 Franz Haniel & Cie	Germany	Scrivner Inc	100	wholesale/retail foods, dept stores	674	7.4	102
70 Sandoz Ltd	Switzerland	Sandoz United States	100	foods, drugs, seeds, chemicals	639	–8.1	512
		Ex-Lax Pharmaceutical Co	100	health care	26	4.0[3]	41
					665		
71 Hoesch AG	Germany						
Hoogovens	Netherlands						
Estel NV		Envirotech[1]	28	pollution control	578	–15.1	381
		Beckley Coal Mining Co	25	coal	53[3]	7.0[3]	57[3]
		Rotek Inc	50	tools & machinery	28[3]	NA	NA
					659[3]		
72 Fiat SpA[1]	Italy	Fiat-Allis	80	construction equipment	358	–50.9	222
		Bentley Laboratories[1]	39	medical devices	52	4.4	44
		Hesston Corp[1]	50	agricultural equip	241	0.5	167
					651		
73 Rio Tinto-Zinc Ltd[1]	UK	US Borax & Chemical	100	chemicals	374[3]	NA	NA
		Indal	57	building products	269	NA	162
					643		
74 Ahold NV[1]	Netherlands	Bi-Lo	100	food retailing	618	NA	113
75 Northern Foods Ltd	UK	Bluebird Inc	80	meat products	600[3]	7.3	104
75 Telefonaktiebolaget	Sweden	Anaconda-Ericsson	50	telecommunication equip	600[3]	NA	NA

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Foreign investor	Country	U.S. company	% owned	Industry	Revenue (millions)	Net income (millions)	Assets (millions)
77 Ivaco Inc	Canada	Laclede Steel[1]	40%	steel	$231	–$0.8	$147
		Atlantic Steel	100	steel			
		National Wire Products	60	steel			
		NY Wire Mills	100	steel	328	NA	209
		Niagara Lockport Inds	100	steel, machinery belts			
		Capitol Wire & Fence Co	100	steel			
		Florida Wire & Cable	80	wire & cable	40	2.0	NA
					599		
78 United Biscuits Ltd	UK	Keebler Co	100	baked goods	544	18.0	182
		Specialty Brands Inc	93	spices, salad dressings	53	4.0	21
					597		
79 Financière Crédit Suisse-First Boston	Switzerland	First Boston[1]	38	investment banking	579	33.6	6,021
80 National Westminster Bank Ltd	UK	National Bank of N Amer	100	banking	575	12.0	5,693
81 Nationale-Netherlanden NV	Netherlands	Life Ins Co of Georgia	100	insurance	251	24.8	1,055
		Peerless Insurance	81	insurance	131	7.8	186
		Security Life of Denver	97	insurance	63	6.1	254
		Midwestern United Life Ins	87	insurance	28	3.6	215
		Wisconsin National Life	100	insurance	32	3.9	134
		Netherlands Insurance	100	insurance	15	1.4	25
					520		
82 IBH Holding AG	Germany	Terex Corp	80	machinery, earthmoving equip	500[3]	NA	NA
83 TransCanada Pipelines[1]	Canada	Great Lakes Gas Transmission	50	gas pipeline	498	16.9	347
84 Allianz Versicherungs AG	Germany	Allianz of America Inc	52	insurance	374	NA	1,703
		Munich American Reinsurance	45	life insurance	96	3.8	248
		Munich American Reassurance	45	property & casualty	24	0.6	41
					494		
85 Elf Aquitaine Group	France	Elf Aquitaine Inc	100	chemicals, oil, gas	298	0.2	281
		5 other companies	33–75	energy, drilling, plastic mfr, drugs	192	NA	NA
					490		
86 Willy Korf	Germany						
Coinvest B V	Germany		70				
Govt of Kuwait	Kuwait	Korf Industries	30	steel, technology	461	2.0	367
86 Imetal	France	Copperweld[1]	66	steel, copper fabrication	461	19.0	351
88 Tate & Lyle Ltd	UK	Tate & Lyle Inc	100	sugar refining, food	440	NA	NA
Redpath Inds Ltd	UK	Multi Fittings (USA) Ltd	100	pipes & fittings			
		Certain-T'ed/Daymond	50	drainage pipe	21[3]	NA	12[3]
					461[3]		
89 Imasco Ltd	Canada	Hardee's Food Systems	100	fast food	433	15.2	210
		Shoppers Drug Mart	100	health & beauty products	13	NA	30
		Tinder Box Intl Ltd	100	tobacco products			
					446		
90 Hawker Siddeley Group Ltd[1]	UK	Lister Diesels	100	engine assembly	18	NA	NA
		Onan	37	engines	209[3]	NA	NA
		FASCO	100	electrical equipment	134	12.0	84
Carleton Inds Ltd	UK	KW Battery	100	industrial batteries	18[3]	0.7[3]	10[3]
Hawker Siddeley Canada	Canada	Corinth Machinery	100	sawmill equip, oil pumps	59	NA	37
		The Dosco Corp	100	mining machinery			
					438[3]		
91 BBC Brown, Boveri & Cie	Switzerland	BBC Brown, Boveri Co	100	mechanical & electric power equipment	425[3]	NA	NA
92 Empain-Schneider	France	Refinement Intl[1]	25	reclamation metals	238	3.9	195
		Phoenix Steel[1]	56	steel	176	0.7	141
					414		
93 L'Air Liquide[1]	France	Liquid Air Corp[1]	55	industrial gases	408	29.4	445
94 Barclays Bank Ltd	UK	Barclays American Corp	100	consumer finance			1,985
		Barclays Bank of NY	100	banking	400[3]	NA	1,097
		Barclays Bank of Calif	100	banking			778
95 Fujitsu Ltd[1]	Japan	Amdahl[1]	25	computers	394	15.2	390

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96 AB SKF	Sweden	SKF Industries Inc	96%	ball & roller bearings	$384	$12.0	$272
97 Steinberg Inc[1]	Canada	Smitty's Super Valu Inc	100	supermarkets	373	9.7	81
98 Henkel KGaA	Germany	Henkel Corp	100	chemicals	307	NA	NA
		Amchem Products	100	chemicals	47	NA	NA
					354		
99 Molson Cos Ltd	Canada	Diversey Corp	100	chemicals	350	NA	NA
100 Solvay & Cie SA	Belgium	Soltex Polymer Corp	100	chemicals	345[3]	NA	NA

And the 25 runners-up

Foreign investor	Country	U.S. company	% owned	Industry	Revenue (millions)	Net income (millions)	Assets (millions)
101 COPERSUCAR	Brazil	Hills Bros Coffee	100%	coffee	$325	NA	NA
101 IFI International SA	Luxembourg	Moog Automotive	100	automotive parts	325[3]	NA	NA
		Chicago Rawhide	100	automotive parts			
		River Cement	40	cement			
103 Dunlop Holdings Ltd[1]	UK	Dunlop Tire & Rubber	100	tires, sports equipment	322	NA	NA
104 Reed Intl Ltd[1]	UK	Reed Holdings Inc	100	paper, packaging	320[3]	$17.0[3]	$120[3]
105 DSM	Netherlands	Nipro Inc	100	chemicals	300[3]	NA	239
		Synres Chemical Corp	100	industrial chemicals	10[3]	NA	10
		Sheffield Plastics Inc	100	industrial plastics			
					310[3]		
106 Cominco Ltd[1]	Canada	Cominco American Inc	100	mining, fertilizers, electronic materials	292	NA	143
		Hawaiian Western Steel	51	steel	17	NA	6
					309		
107 Lloyds Bank Group	UK	Lloyds Bank California	100	banking	301	14.8	2,709
108 Heidelberger Zement	Germany	Lehigh Portland Cement	100	cement, furniture	300[3]	NA	NA
108 Robert Bosch GmbH	Germany	Robert Bosch	100	electronic equipment	300[3]	NA	NA
108 Olsen, Lehmkuhl families	Norway	Timex	100	watches	300[3]	NA	NA
111 Sanyo Electric Co Ltd[1]	Japan	Sanyo Manufacturing Corp	72	elec appliances	257	4.0	99
		Sanyo E&E Corp	60	elec appliances	38	–1.0	37
					295		
111 AGO Holding NV	Netherlands	Life Investors Inc[1]	39	insurance	295	17.0	753
113 Sun Life Assurance Co of Canada	Canada	Sun Life Assurance Co of Canada (US)	100	insurance	291	NA	2,000
114 Canadian Natl Rwys	Canada	Grand Trunk Corp	100	railroad	290	5.9	499
115 Ghaith Pharaon	Saudi Arabia	Sam P Wallace[1]	65	construction	283	3.9	83
116 BTR Ltd	UK	SW Industries	100	industrial manufacturing	277	33.0	395
117 Plessey Co Ltd[1]	UK	Plessey North America	100	electronics, metals	275[3]	NA	NA
118 Gardinier Family	France	Gardinier Big River	100	agricultural chemicals	270[3]	NA	NA
119 Racal Electronics Ltd[1]	UK	Racal-Milgo Inc	100	high speed modems	170[3]	NA	NA
		8 other companies	100	instruments, electronics, radios, marine radar	95[3]	NA	NA
					265		
120 Johnson & Matthey & Co Ltd	UK	Johnson Matthey Inc	100	refining & mechanical production	264	NA	NA
		Johnson Matthey Jewelry	100	jewelry manufacturing			
		The Meyercord Co	100	printing, transfers			
		Matthey Print Corp	100	transfers			
		Max Marx Color & Chem	100	chemicals			
121 Wellcome Fdtn Ltd	UK	Burroughs Wellcome	100	drugs	262	NA	NA
122 Reckitt & Colman Ltd	UK	Reckitt & Colman NA	100	food	245[3]	NA	110[3]
123 Schering AG	Germany	ASAG Inc	100	chemicals, drugs	242	NA	234
124 Dumez Group	France	Cento Industries	42	construction	70	0.6	26
		Payne & Keller Corp	100	construction	160	0.8	42
					230		
125 Coats Patons Ltd[1]	UK	Coats & Clark Inc	100	textiles	220	NA	140

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Special Report
Spotlight on International Business

The 100 largest U.S. multinationals

In this year's list of the 100 largest U.S.-based multinationals, the names of the top ten are familiar from 1980—but there were shifts in their relative rankings symptomatic of the times. Ford's 2.4% overseas sales decline knocked it from fourth to fifth place. General Motors' 3.9% decline still left it in sixth place. Gulf Oil, which had a 7% revenue slump, also fell a notch, even though foreign profits still managed to increase 11.4%.

Meanwhile, Engelhard Minerals' revenue gains fell from last year's delirious 92% to a merely handsome 27.5%—still enough to push it from tenth to eighth. In fact, though, that performance wasn't much above average: The top 25 firms averaged a 22.4% increase in foreign revenues.

The biggest change lower down on the list was Getty Oil, up 40 places, to 54th. Other major jumps served primarily as reminders of the furious pace in international finance. Chase and BankAmerica both saw foreign revenues up 34%; although their rankings remained the same. Chemical, Bankers Trust and Continental Illinois all climbed more than ten places in the standings, with revenue gains overseas averaging 44%.

As for the losers, recently shrunken Esmark, last year's number 88, is off the list entirely this year, as are Charter Co., Amerada Hess, Litton Industries and Uniroyal.

The 100 largest U.S. multinationals

Rank	Company	Foreign revenue (millions)	Total revenue (millions)	Foreign as % of total	Foreign operating profit* (millions)	Total operating profit* (millions)	Foreign as % of total	Foreign assets (millions)	Total assets (millions)	Foreign as % of total
1	**Exxon**	$73,335	$103,143	71.1%	$3,878	$6,243	62.1%	$29,989	$56,577	53.0%
2	**Mobil**	37,956[1]	60,413[1]	62.8	2,125[2]	2,813[2]	75.5	17,734	32,705	54.2
3	**Texaco**	35,116	51,196	68.6	1,407[2]	2,240[2]	62.8	14,732	26,430	55.7
4	**Standard Oil Calif**	22,603	40,479	55.8	1,246[2]	2,401[2]	51.9	10,282	22,140	46.4
5	**Ford Motor**	18,657	37,086	50.3	475[2]	–1,543[2]	P/D	13,682	24,335	56.2
6	**General Motors**	16,091	57,729	27.9	–688[2]	–763[2]	90.2	9,193	34,455	26.7
7	**IBM**	13,787	26,213	52.6	1,909[2]	3,562[2]	53.6	13,548	26,703	50.7
8	**Engelhard Minerals**	12,478[1]	26,596[1]	46.9	635	976	65.0	3,086	6,301	49.0
9	**Intl Tel & Tel[3]**	12,344	23,819	51.8	1,157	1,788	64.7	11,698	28,378	41.2
10	**Gulf Oil**	10,330	26,483	39.0	657[2]	1,407[2]	46.7	6,612	18,638	35.5
11	**Citicorp**	9,110	14,211	64.1	307[2]	499[2]	61.5	67,949[4]	107,094[4]	63.4
12	**Conoco**	6,939[1]	18,527[1]	37.5	475[2]	1,026[2]	46.3	4,015	11,036	36.4
13	**BankAmerica**	6,344	12,075	52.5	292[5]	645[5]	45.3	44,311[4]	104,150[4]	42.5
14	**General Electric**	5,736[1]	25,523[1]	22.5	350[2]	1,514[2]	23.1	4,898	18,511	26.5
15	**Occidental Petroleum**	5,687[1]	12,726[1]	44.7	1,937	2,079	93.2	2,363	6,630	35.6
16	**Dow Chemical**	5,493	10,626	51.7	600	1,212	49.5	5,358	11,538	46.4
17	**Chase Manhattan**	5,081	8,003	63.5	179[2]	354[2]	50.6	40,141	76,190	52.7
18	**Standard Oil Indiana**	4,829[1]	26,463[1]	18.2	860[2]	1,915[2]	44.9	6,432	20,167	31.9
19	**Eastman Kodak**	4,036	9,734	41.5	448	1,896	23.6	3,017	8,747	34.5
20	**EI Du Pont de Nemours**	3,865	13,652	28.3	267	1,340	19.9	2,268	9,560	23.7
21	**Xerox**	3,829	8,197	46.7	280[2]	619[2]	45.2	3,428	7,349	46.6
22	**Goodyear**	3,722	8,444	44.1	357	611	58.4	2,435	5,368	45.4
23	**FW Woolworth[3]**	3,705	8,392	44.1	168[6]	300[6]	56.0	1,861	3,542	52.5
24	**Safeway Stores**	3,584	15,103	23.7	68[2]	119[2]	56.8	875	3,339	26.2
25	**Procter & Gamble**	3,493	10,772	32.4	149[2]	643[2]	23.2	1,750	6,553	26.7
26	**JP Morgan**	3,207	5,173	62.0	209[2]	342[2]	61.3	27,312	51,991	52.5
27	**Union Carbide**	3,149	9,994	31.5	423	1,292	32.7	2,882	9,659	29.8
28	**Colgate-Palmolive**	3,148	5,130	61.4	293	431	68.0	1,357	2,578	52.6
29	**United Technologies**	2,932	12,324	23.8	167[2]	393[2]	42.5	2,025	7,326	27.6
30	**Tenneco**	2,894	13,226	21.9	243	1,519	16.0	2,635	13,853	19.0
31	**Pan Am World Airways**	2,858	4,016	71.2	–3	–88	3.3	NA	3,366	NA
32	**Dart & Kraft**	2,830	9,412	30.1	257	808	31.8	1,355	4,650	29.1
33	**Manufacturers Hanover**	2,828	5,189	54.5	113[2]	229[2]	49.3	28,165	55,522	50.7
34	**Sun Co**	2,813[1]	13,242[1]	21.2	276[7]	849[7]	32.5	2,487	10,955	22.7
35	**Phillips Petroleum**	2,788	13,377	20.8	1,038	3,246	32.0	2,221	9,844	22.6
36	**CPC International**	2,737	4,120	66.4	216	389	55.5	1,577	2,328	67.7
37	**Coca-Cola**	2,641	5,913	44.7	565	862	65.5	1,409	3,406	41.4
38	**Minn Mining & Mfg**	2,524	6,080	41.5	451	1,199	37.6	1,737	5,046	34.4
39	**Atlantic Richfield**	2,443	23,744	10.3	52[2]	1,651[2]	3.1	1,109	16,605	6.7
40	**Union Oil California**	2,333[1]	10,052[1]	23.2	140[8]	1,221[8]	11.5	870	6,772	12.8

*Unless otherwise indicated. [1]Includes other income. [2]Net income. [3]Includes proportionate interest in unconsolidated subsidiaries or investments. [4]Average assets. [5]Income before security gains or losses. [6]Excluding equity in FW Woolworth & Co Ltd. [7]Profit before interest and after taxes. [8]Pretax income. [9]Excludes international transportation. [10]Estimate. [11]Excludes Canada. [12]Includes equity in earnings of associated companies. [13]From continuing operations. P/D: Profit over deficit. NA: Not available. D/P: Deficit over profit. NM: Not meaningful.

The 100 largest U.S. multinationals

Rank	Company	Foreign revenue (millions)	Total revenue (millions)	Foreign as % of total	Foreign operating profit* (millions)	Total operating profit* (millions)	Foreign as % of total	Foreign assets (millions)	Total assets (millions)	Foreign as % of total
41	**Johnson & Johnson**	$2,204	$4,837	45.6%	$397	$713	55.6%	$1,525	$3,343	45.6%
42	**American Brands**	2,190	4,277	51.2	217	783	27.7	1,409	3,971	35.5
43	**Intl Harvester**	2,187	6,312	34.6	86	–262	P/D	1,492	5,843	25.5
44	**Chemical New York**	2,116	4,282	49.4	67[5]	175[5]	38.1	17,465	41,342	42.2
45	**Monsanto**	2,109	6,574	32.1	–7	210	D/P	1,494	5,796	25.8
46	**Chrysler**	2,076	9,225	22.5	–136	–1,710	8.0	1,481	6,618	22.4
47	**Beatrice Foods**	2,068	8,773	23.6	144	714	20.2	1,094	4,237	25.8
48	**Bankers Trust New York**	2,042	3,693	55.3	104[2]	214[2]	48.6	16,413	34,202	48.0
49	**RJ Reynolds Inds**	2,027	8,449	24.0	136[9]	1,269	10.7	1,122[9]	7,355	15.3
50	**General Tel & Elec[13]**	1,896	9,979	19.0	74[2]	478[2]	15.5	3,285	19,720	16.7
51	**Sperry**	1,895	4,785	39.6	272	658	41.4	1,877	4,262	44.0
52	**Sears, Roebuck[3]**	1,889	26,139	7.2	30[2]	554[2]	5.4	1,397	28,431	4.9
53	**Caterpillar Tractor**	1,845	8,598	21.5	71	1,053	6.7	1,163	6,098	19.1
54	**Getty Oil**	1,841	10,150	18.1	1,212	2,411	50.3	1,879	8,267	22.7
55	**Continental Illinois**	1,828	4,716	38.8	74[2]	226[2]	32.7	15,600[10]	42,089	37.1
56	**NCR**	1,823	3,322	54.9	249	526	47.3	1,581	3,366	47.0
57	**Firestone**	1,790	4,850	36.9	98	3	NM	1,154	3,119	37.0
58	**Halliburton**	1,755	8,327	21.1	245	847	28.9	1,733	4,724	36.7
59	**Trans World**	1,751	5,018	34.9	83	126	66.0	863	3,185	27.1
60	**Pfizer**	1,721	3,029	56.8	306	495	61.9	1,631	3,364	48.5
61	**Fluor**	1,701	4,826	35.3	94	267	35.4	493	1,705	28.9
62	**RCA**	1,688	8,011	21.1	110[8]	507[8]	21.7	999	7,146	14.0
63	**Continental Group[3]**	1,684	5,657	29.8	102	396	25.7	810	5,321	15.2
64	**First Chicago**	1,654	3,415	48.4	–6[2]	63[2]	D/P	12,395	28,699	43.2
65	**General Foods**	1,620	5,960	27.2	65	505	13.0	979	2,979	32.9
66	**Deere**	1,619	5,470	29.6	8	454	1.8	1,280	5,202	24.6
67	**Warner-Lambert**	1,593	3,479	45.8	265	564	47.0	1,172	2,954	39.7
68	**American Express**	1,585	5,504	28.8	99	534	18.5	8,081	19,709	41.0
69	**Hewlett-Packard**	1,574	3,099	50.8	209[8]	523[8]	40.0	718	2,337	30.7
70	**WR Grace**	1,570	6,101	25.7	273[8]	687[8]	39.7	840	4,365	19.2
71	**Allied Corp**	1,531	5,519	27.7	190[2]	289[2]	65.7	1,147	4,538	25.3
72	**Consolidated Foods**	1,509	5,343	28.2	124[8]	265[8]	46.6	853	2,263	37.7
73	**Honeywell**	1,509	4,925	30.6	188	525	35.9	1,155	3,893	29.7
74	**TRW**	1,454	4,984	29.2	156	482	32.4	986	2,855	34.5
75	**American Home Products**	1,435[1]	4,074[1]	35.2	251	854	29.4	723	2,370	30.5
76	**Gillette**	1,401[11]	2,315	60.5	150[11]	278	54.1	1,080[11]	1,709	63.2
77	**Texas Instruments**	1,397	4,075	34.3	120[2]	212[2]	56.6	778	2,414	32.2
78	**K mart[3]**	1,378	14,830	9.3	24[2]	261[2]	9.1	544	6,567	8.3
79	**Merck**	1,354	2,734	49.5	278	651	42.8	1,177	2,866	41.1
80	**PepsiCo**	1,335	5,975	22.3	132	631	20.9	1,056	3,418	30.9
81	**First National Boston**	1,334	2,333	57.2	22[2]	102[2]	21.6	7,164[4]	15,384[4]	46.6
82	**Bendix**	1,306	3,862	33.8	114	349	32.6	828	2,924	28.3
83	**Marathon Oil**	1,277	8,180	15.6	6[2]	379[2]	1.5	1,755	5,043	34.8
84	**American Intl Group**	1,271	2,710	46.9	228	377	60.6	2,841	6,900	41.2
85	**Gulf & Western Inds[3]**	1,270	6,885	18.4	170	477	35.7	1,700[10]	11,000[10]	15.5
86	**Burroughs**	1,267[1]	2,902[1]	43.7	147	273	54.0	1,588	3,855	41.2
87	**American Standard**	1,267	2,674	47.4	199	314	63.4	644	1,578	40.8
88	**Avon Products**	1,258	2,569	49.0	205	440	46.5	696	1,571	44.3
89	**International Paper**	1,254	5,043	24.9	155	426	36.4	811	5,197	15.6
90	**Standard Brands**	1,252	3,018	41.5	91	239	38.0	724	1,608	45.0
91	**American Cyanamid**	1,230	3,454	35.6	175[12]	335[12]	52.2	840	2,917	28.8
92	**Ralston Purina**	1,221	4,886	25.0	30	363	8.3	433	2,247	19.3
93	**Singer**	1,210	2,787	43.4	99	150	66.1	738	1,529	48.2
94	**HJ Heinz**	1,201	2,925	41.1	91	255	35.5	761	1,954	38.9
95	**Scott Paper[3]**	1,185	3,268	36.3	44[2]	134[2]	33.1	988	2,748	36.0
96	**Motorola**	1,183	3,099	38.2	78	373	21.0	568	2,112	26.9
97	**Bristol-Myers**	1,154	3,158	36.6	188	544	34.6	795	[illegible]	36.0
98	**Westinghouse Electric**	1,126	8,514	13.2	103	652	15.8	729	6,813	10.7
99	**Philip Morris**	1,118	7,328	15.3	130	1,300	10.0	1,390	7,366	18.9
100	**Ingersoll-Rand**	1,109	2,971	37.3	127	393	32.2	948	2,527	37.5

*Unless otherwise indicated. [1] Includes other income. [2] Net income. [3] Includes proportionate interest in unconsolidated subsidiaries or investments. [4] Average assets. [5] Income before security gains or losses. [6] Excluding equity in FW Woolworth & Co Ltd. [7] Profit before interest and after taxes. [8] Pretax income. [9] Excludes international transportation. [10] Estimate. [11] Excludes Canada. [12] Includes equity in earnings of associated companies. [13] From continuing operations. P/D: Profit over deficit. NA: Not available. D/P: Deficit over profit. NM: Not meaningful.

Special Report
Spotlight on International Business

The 100 largest foreign companies

Once again, FORBES' list of the 100 largest foreign companies is headed by four oil producers and the six huge Japanese trading enterprises. New to the top ten, though, are Italy's ENI Group—now 8th on the list—and France's TOTAL Group, now 10th.

Oil and natural resource prices also meant higher international prominence for other major nationalized oil concerns. Petróleos de Venezuela now outranks such European luminaries as Philips Lamp, Volkswagen and Siemens—in 15th place, it is now the largest Third World firm. Petroleos Mexicanos with an 80.3% sales gain, also moved up sharply, from 53rd on last year's listing to 32nd.

How do the top ten foreign firms compare in size to FORBES' U.S. sales ranking? While Exxon still dominates any combined list, Royal Dutch/Shell is second, with Mobil and GM following. After that, however, the growing impact of foreign businesses becomes even clearer: They make up 10 of the world's 25 largest companies, and 8 of the top 15.

The 100 largest foreign companies

Company	Fiscal year end	Revenue[1] (millions)	Net income (millions)	Assets (millions)	Market value of common[2] (millions)	Corporate headquarters	Industry	Employees (thousands)
1 Royal Dutch/Shell Group	Dec	$77,140	$5,176	$68,404	$25,563[3]	UK/Netherlands	energy	161.0
2 Mitsubishi Corp	Mar	55,183	183	19,647	3,857	Tokyo, Japan	wholesaler	13.0
3 British Petroleum Ltd	Dec	48,052	3,338	38,997	15,901	London, UK	energy	118.2
4 Mitsui & Co, Ltd	Mar	46,531	124	20,512	1,497	Tokyo, Japan	wholesaler	13.0
5 C Itoh & Co, Ltd	Mar	39,986	143	13,936	1,450	Tokyo, Japan	wholesaler	10.0
6 Marubeni Corp	Mar	38,051	75	13,698	1,558	Osaka, Japan	wholesaler	10.1
7 Sumitomo Corp	Mar	33,320	119	9,028	1,050	Osaka, Japan	wholesaler	10.0
8 ENI Group	Dec	27,112	NA	25,353[4]	none[5]	Lazio, Italy	energy	122.6
9 Nissho-Iwai Co, Ltd	Mar	26,702	37	8,600	820	Tokyo, Japan	wholesaler	7.9
10 TOTAL Group (Française des Pétroles)	Dec	23,910	946	16,279	1,479	Paris, France	energy	48.1
11 Unilever	Dec	23,615	659	13,216	3,835[3]	Netherlands/UK	consumer goods	300.0
12 VEBA Group	Dec	21,972	210	14,080	2,236	Duesseldorf, Germany	energy	83.9
13 Fiat Group	Dec	21,178	60	18,000	1,172	Turin, Italy	automotive	342.7
14 Renault Group	Dec	18,955	185	12,385	none[5]	Boul.-Billancourt, Fr	automotive	231.7
15 Petróleos de Venezuela SA	Dec	18,819	3,451	19,337	none[5]	Caracas, Venezuela	energy	37.7
16 NV Philips Lamp	Dec	18,377	165	18,618	1,192	Eindhoven, Neth	elec equip	376.9
17 Volkswagen Group	Dec	18,313	171	12,647	1,921	Wolfsburg, Germany	automotive	257.9
18 Elf Aquitaine Group	Dec	18,150	1,376	19,935	5,218	Paris, France	energy	45.0
19 National Iranian Oil Co	Dec	18,000E	NA	NA	none[5]	Tehran, Iran	energy	NA
20 Siemens Group	Sept	17,941	332	17,811	4,962	Munich, Germany	elec equip	344.0
21 P.S.A. Peugeot-Citroën[4]	Dec	17,114	254	12,266	346	Paris, France	automotive	289.8
22 Daimler-Benz Group	Dec	17,084	604	8,773	3,649	Stuttgart, Germany	automotive	183.4
23 BASF Group	Dec	16,499	197[6]	9,332[6]	2,535	Ludwigshafen, Ger	chemicals	116.5
24 Hoechst Group	Dec	16,457	252	12,421	2,458	Frankfurt, Germany	chemicals	186.9
25 Bayer Group	Dec	15,858	356	13,553	2,349	Leverkusen, Germany	chemicals	181.6
26 INI-Instituto Nacional de Industria	Dec	15,397	–943	27,387	none[5]	Madrid, Spain	multicompany	256.2
27 Thyssen Group	Sept	15,228	62	9,500	859	Duisberg, Germany	steel	151.7
28 Électricité de France	Dec	15,000	20	45,793	none[5]	Paris, France	utility	108.9
29 Toyota Motor Sales Co	Mar	14,963	151	4,609	1,032	Nagoya, Japan	wholesaler	5.2
30 Petróleo Brasileiro SA	Dec	14,836	767	13,490	532	Rio de Janeiro, Brazil	energy	64.8
31 Nestlé	Dec	14,615	408	10,279	3,955	Vevey, Switzerland	food	152.7
32 Petroleos Mexicanos	Dec	14,579	NA	NA	none[5]	Mexico City, Mexico	energy	100.0
33 Nissan Motor Co, Ltd	Mar	14,383	462	9,304	5,581	Tokyo, Japan	automotive	59.3[6]
34 Toyoto Motor Co, Ltd[6]	June	14,178	615	7,921	6,511	Toyota City, Japan	automotive	47.1
35 Deutsche Bundesbahn	Dec	14,023	–2,096	50,896[4]	none[5]	Frankfurt, Germany	transportation	344.7
36 Imperial Chemical Ind Ltd	Dec	13,295	–47	14,510	4,582	London, UK	chemicals	143.2
37 Kanematsu-Gosho Ltd	Mar	13,190	2	4,916	194	Tokyo, Japan	wholesaler	3.9
38 Toyo Menka Kaisha, Ltd	Mar	13,150	11	4,326	287	Osaka, Japan	wholesaler	4.5
39 Nippon Steel Corp	Mar	13,056	495	13,810	4,611	Tokyo, Japan	steel	71.7[6]
40 Hitachi, Ltd	Mar	12,823	502	12,438	4,317	Tokyo, Japan	elec equip	143.3
41 Matsushita Electric Industrial Co, Ltd	Nov	12,713	543	11,437	5,913	Osaka, Japan	elec equip	107.1
42 The Electricity Council	Mar	12,523	81	18,901	none[5]	London, UK	utility	158.8
43 Nippon Oil Co, Ltd	Mar	12,159	99	5,669	4,458	Tokyo, Japan	energy	11.6

[1] Revenue is for "group" or consolidated and excludes excise taxes and duties. [2] As of Dec. 31, 1980. [3] Combined market value. [4] Figures for year ended Dec. 31, 1979. [5] Government, privately owned or cooperative. [6] Not fully consolidated. NA: Not available. E: Estimated.

General Notes: Revenue and net income are converted at an average rate of exchange for the fiscal year; assets are converted at rate of exchange at fiscal year-end. Figures for 1980 were used for those March fiscal-year companies for which 1981 results were not available at press time.

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The 100 largest foreign companies

Company	Fiscal year end	Revenue[1] (millions)	Net income (millions)	Assets (millions)	Market value of common[2] (millions)	Corporate headquarters	Industry	Employees (thousands)
44 B.A.T Industries Ltd	Dec	$11,900E	$549	$ 9,678	$2,098	London, UK	multicompany	177.0
45 Nichimen Co, Ltd	Mar	11,434	11	3,682	253	Osaka, Japan	wholesaler	3.4
46 Barclays Bank Group	Dec	11,301	810	88,476	2,919	London, UK	banking	116.0
47 Crédit Lyonnais Group	Dec	11,101	102	103,261	333	Paris, France	banking	45.9[6]
48 CAMPSA	Dec	11,087	30	2,034	48	Madrid, Spain	energy	9.8
49 Osterreichische Industrie Verwaltungs AG	Dec	11,053	9	4,803[4]	none[5]	Vienna, Austria	metals	114.7
50 Banque Nationale de Paris Group	Dec	11,008	212	108,200	466	Paris, France	banking	49.0
51 Mitsubishi Heavy Ind, Ltd	Mar	10,997	101	13,385	2,404	Tokyo, Japan	indl machinery	95.3
52 ENEL	Dec	10,657	–1	NA	none[5]	Rome, Italy	utility	116.4
53 National Westminster Bk	Dec	10,629	721	82,447	2,166	London, UK	banking	80.0
54 Cie Générale d'Électricité	Dec	10,400E	75E	6,909[4]	569	Paris, France	elec equip	172.0
55 Idemitsu Kosan Co, Ltd	Mar	10,367	1	8,058	none[5]	Tokyo, Japan	energy	9.9
56 St-Gobain-Pont-à-Mousson	Dec	10,291	215	9,399	985	Paris, France	building prods	163.5
57 Tengelmann Group	June	10,200E	NA	NA	none[5]	Muelheim, Germany	retailer	30.0
58 RWE Group	June	10,194	229	12,775	3,105	Essen, Germany	energy	68.0
59 British National Oil Co	Dec	10,055	205	2,859	none[5]	Glasgow, Scotland	energy	1.7
60 Petrofina SA	Dec	9,745	323	7,339	2,147	Brussels, Belgium	energy	23.0
61 NV Nederlandse Gasunie	Dec	9,581	40	2,787	none[5]	Groningen, Neth	energy	1.7
62 Deutsche Bank Group	Dec	9,120	242	89,123	3,190	Frankfurt, Germany	banking	44.1
63 Société Générale Group	Dec	9,113	188	90,794	734	Paris, France	banking	44.4
64 Montedison Group	Dec	9,085	–1	10,346	394	Milan, Italy	chemicals	105.5
65 Ruhrkohle	Dec	9,035	17	6,596	none[5]	Essen, Germany	mining	136.8
66 Pechiney Ugine Kuhlmann	Dec	9,018	144	7,586	505	Paris, France	metals	89.1
67 Tokyo Electric Power Co[6]	Mar	8,865	–146	22,698	4,777	Tokyo, Japan	utility	39.2
68 Le Groupe Thomson	Dec	8,646	NA	8,174[4]	316	Paris, France	elec equip	131.5
69 Gutehoffnungshütte Group	June	8,606	48[6]	5,926[6]	709	Oberhausen, Germany	industrial equip	86.1
70 Canadian Pacific Ltd	Dec	8,539	499	10,914	2,609	Montreal, Canada	multicompany	121.5
71 Toshiba Corp	Mar	8,296	191	7,920	2,445	Kawasaki, Japan	elec equip	98.0
72 National Coal Board	Mar	8,158	–347	7,041	none[5]	London, UK	energy	297.0
73 Kansai Electric Power Co[6]	Mar	8,153	440	16,837	3,225	Osaka, Japan	utility	23.9
74 AEG-Telefunken Group	Dec	8,077	–164[6]	4,326[6]	475	Frankfurt, Germany	elec equip	138.1
75 SNCF	Dec	8,045	–159	19,372[4]	none[5]	Paris, France	transportation	250.0
76 Empain-Schneider[4]	Dec	7,921	2	NA	112	Paris, France	industrial equip	123.0
77 British Gas Corp	Mar	7,663	446	6,527	none[5]	London, UK	utility	104.4
78 Friedrich Krupp Group	Dec	7,657	34	4,933	none[5]	Essen, Germany	steel	85.7
79 Bank Hapoalim B.M.	Dec	7,633	125	17,004	880	Tel Aviv, Israel	banking	9.3
80 Honda Motor Co, Ltd	Feb	7,596	420	4,674	1,863	Tokyo, Japan	automotive	38.5
81 Crédit Agricole	Dec	7,554[6]	368	106,646	none[5]	Paris, France	banking	65.5
82 Dunlop Pirelli Union	Dec	7,514	NA	NA	none[5]	London, UK	automotive	151.0
83 NV DSM	Dec	7,504	13	4,555	none[5]	Heerlen, Netherlands	chemicals	31.4
84 Michelin Group	Dec	7,325	72	8,467	597	Clermont-Ferrand, Fr	automotive	133.0E
85 Mannesmann Group	Dec	7,212	96	4,866	1,228	Duesseldorf, Germany	industrial equip	103.5
86 Rhône-Poulenc Group	Dec	7,146	–461	6,573	438	Paris, France	chemicals	95.0
87 Ciba-Geigy Ltd	Dec	7,113	182	10,027	2,085	Basle, Switzerland	chemicals & drugs	81.2
88 ESTEL NV	Dec	7,036	–246	4,960	213[3]	Nijmegen, Neth	steel	77.5
89 Finsider Group[4]	Dec	6,933	–322	13,642	214	Rome, Italy	steel	110.6
90 Cie Financière Paribas	Dec	6,788	173	52,647	889	Paris, France	banking	26.0
91 British Steel Corp	Mar	6,772	–1,189	7,439	none[5]	London, UK	steel	166.4
92 Suez Group	Dec	6,714	207	57,680	626	Paris, France	banking	36.3
93 BL Limited	Dec	6,693	–1,246	5,421	1,124	London, UK	automotive	157.5
94 General Electric Co Ltd	Mar	6,556	546	6,515	7,943	London, UK	elec equip	188.0
95 Rio Tinto-Zinc Corp Ltd	Dec	6,504	387	9,016	2,433	London, UK	metals	65.8
96 Robert Bosch Group	Dec	6,500E	100E	4,433[4]	none[5]	Stuttgart, Germany	automotive	121.6
97 Maruzen Oil Co, Ltd	Mar	6,445	–1	4,417	827	Osaka, Japan	energy	6.1
98 Karstadt Group	Dec	6,277	NA	2,578[4]	724	Essen, Germany	retailer	84.2
99 Akzo Group	Dec	6,264	–35	4,513	236	Arnhem, Netherlands	chemicals	83.1
100 Royal Bank of Canada	Oct	6,221	301	52,294	2,039	Montreal, Canada	banking	36.9

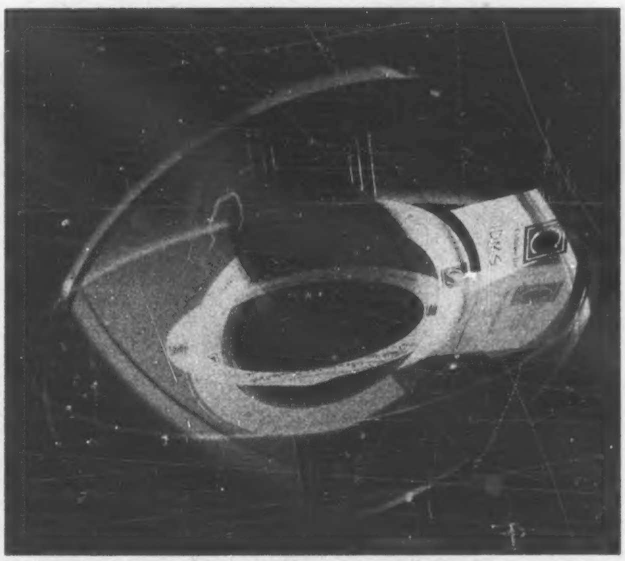
[1] Revenue is for "group" or consolidated and excludes excise taxes and duties. [2] As of Dec. 31, 1980. [3] Combined market value. [4] Figures for year ended Dec. 31, 1979. [5] Government, privately owned or cooperative. [6] Not fully consolidated. NA: Not available. E: Estimated.

General Notes: Revenue and net income are converted at an average rate of exchange for the fiscal year; assets are converted at rate of exchange at fiscal year-end. Figures for 1980 were used for those March fiscal-year companies for which 1981 results were not available at press time.

There are roughly 1.2 million computers in operation in the U.S., and by 1985 there will be 5.4 million, or one for every 42 of us. Who—or what—is going to program them all?

The growth industry's growth industry

By Harold Seneker



IN 15 YEARS, computer services—the programming and software, not the hardware—has whirled up out of almost nothing into an industry larger than broadcasting. But even at $13 billion annual revenues it still appears to be in its infancy—4,000 or so separate businesses, all growing like weeds. Many trade at 20 and 30 times earnings on the public markets. The stocks respond violently to every little twitch in the marketplace. Since Wall Street gets just as enthusiastic over pyrites like CB radios as it does over real gold, it makes sense to look deeper than the analysts' recommendations and ask, what is this phenomenon? Where is it going to become important?

Consider a reel of magnetic tape. Wholesale cost when blank, about $50. But this one is worth $50,000. Reason: The magnetically encoded program on it would take something like 20 man-years of programmer time, at $20,000 to $50,000 per man-year, to create from scratch. At $50,000, then, that reel of tape is a bargain. Little wonder that the packaged software segment of the $13 billion computer services industry was already a $3 billion business last year and, according to International Data Corp., the Massachusetts research firm, is growing at 30% a year. In 1985, at that rate, packaged software would reach $11 billion.

Or consider a service company with software or a data base, sending answers over telephone lines from its computer to a terminal on your desk. Priced at, say, $50 an hour, that may be an even greater bargain. Remote computer services are a $4.5 billion business, growing at 21% per year. There is also the rather commonplace service called batch processing—taking a company's paperwork, keypunching it and processing it with nonproprietary software. It's a $2.5 billion business (although obsolescent and expected to be almost static by the end of the decade). The companies that do it are mostly small—clear candidates for bigger operators who want to expand their customer base.

Altogether, these three segments of the computer services industry—based on software, not hardware—are a good part of the future of computers themselves. "I call them leveraged software companies," says Esther Dyson, computer services analyst at Oppenheimer & Co. "They distribute the cost of programming and development over a large base of users and thereby are cost-effective far beyond the capabilities of most of their customers." What she means is: They can do it cheaper than their customers can do it themselves.

Most companies of any size with a computer of any size have their own EDP departments and their own programmers, of course. But programmers, the human part of the software equation, are in short supply. And the situation will get worse. There are about 500,000 computer specialists in the U.S. right now but the number of computers is growing so fast the number of people can't keep pace. Programming is a peculiar skill combining flashes of creative intuition with endless hours of detail. Not everyone has the temperament for it. Then there is the "do-it-yourself" trend. "There are about 660,000 desktop computers out there now," points out International Data analyst Carol Weiszmann. By 1985 there will be 4 million, and the people who use those computers will be untrained laymen. So even greater amounts of information must be programmed into the machine to make it usable.

As in every other part of the computer industry, IBM is also the biggest factor in software—but as a sideline. IBM provides over $1 billion worth of software a year to supply the $26 billion worth of computers and office equipment it sells or leases. In a sense, IBM invented computer services years ago by providing batch process-

The top 20 in computer services

Providing software and services to computer users has exploded into a $13 billion business. Here are the 20 largest players, ranked by their 1980 revenues as reported by Gartner Group, a leading research firm. Merrill Lynch assisted with the "main service area" information. As defined by Gartner Group, services noted in the table include: processing (1), custom/contract software (2), remote computing services (3), batch services (4) and facilities management (5).

Company	Main service area	Revenues (millions)	As % of total revenues	% change in revenues 1979-80
IBM	2	$2,414.5	9.2%	21.9%
Control Data	3,4	722.7	19.0	18.6
Computer Sciences Corp	2	560.3	100.0	34.9
ADP	3,4	505.0	100.0	24.1
EDS	5	408.5	98.7	31.1
Honeywell	3	349.7	7.1	21.0
General Electric (GEISCO)	3	299.3	1.2	19.3
Tymshare	3	211.0	89.5	19.7
System Development Corp*	2,5	186.8	100.0	14.6
McDonnell Douglas (McAuto)	3	160.7	2.6	–21.9
Bradford National Corp	4	142.7	100.0	18.8
Planning Research Corp	2	127.4	41.5	24.5
Informatics Inc	1,2	125.9	100.0	12.0
Boeing Computer Services	3,4	125.0	1.3	30.2
Burroughs Corp	2	123.9	4.3	26.8
General Instrument	2	115.3	14.0	15.2
United Telecommunications	3	115.1	6.0	20.0
Shared Medical Systems	2	105.6	99.1	28.3
Wyly Corp	3	99.0	84.0	13.6
TRW	1,5	94.2	1.9	32.7

*Acquired by Burroughs Corp., Jan. 5, 1981.

Source: Gartner Group; Merrill Lynch

ing, until it had to transfer what was then only a backwater to Control Data as part of an antitrust settlement in 1973 and to agree to stay out for six years. Now free to return, IBM has already announced it will.

The competition promises to be interesting—and tough. Says Control Data's Robert Duncan: "Lots of competitors we see today will not be around, or be important, because the companies like Control Data who make [an investment in computer networks] will overshadow them."

Thomas O'Rourke, founder and chief executive officer of Tymshare, possibly the most forward-looking and innovative independent among the top 20, agrees with Duncan: "By the 1990s, computer services will be dominated by 10 or 12 giant companies."

Who are these companies struggling for a place in an industry that seems to have nowhere to go but up? In the following pages, FORBES examines seven of them—each with a different strategy, each with different prospects, but each doing the same thing—selling value-added software, not the hardware.

Open secrets

"If I have 2,000 customers and each one has 100 people with access to my program, then 200,000 people know my 'trade secret,'" says Ernest Keet. "How can that be a secret?"

Keet has reason to ponder the problem. He is president of the software products group at Dun & Bradstreet's computer services subsidiary, National CSS, and chairman of the Association of Data Processing Service Organizations (ADAPSO) committee on software protection. As computer software mushrooms into a $2.3 billion-a-year business, nobody really has any idea how to protect his property. "This is the first time in history that people are seeking the mass sale of intellectual property in other than printed form," says Keet.

What's the answer? The patent laws? The U.S. Supreme Court has repeatedly ruled that computer programs can't be patented unless they are an essential part of a patentable (*i.e.*, novel) product or process. Trade-secret laws? A program often is not much of a secret, as Keet points out. Copyright? "Some 80% of the value of a program is its design," he says. "You don't have to copy line for line to steal the design concept. Copyright only protects your particular expression of the idea, not the idea itself."

There are practical defenses. Some costly software packages—priced at up to $2 million—are sold to large corporations like Exxon or GM, where there is less danger of misappropriation, at least at the corporate level. The programs arrive on tapes or discs in "machine language," specifically addressed to the buyer's system, and difficult for a thief who doesn't have the accompanying written "documentation" to unravel or readdress to a different system. Too, copying the cheap programs available for personal computers is uneconomic unless the pirate hopes to sell many thousands of them, and so far the market isn't that big. Someday, of course, it will be.

Warns Keet, "There is a middle ground opening—large markets for software selling for a few thousand dollars to tens of thousands of small businesses. There's no known protection for that yet. It's only a matter of time before somebody opens up shop someplace and sells pirated programs like video cassettes."

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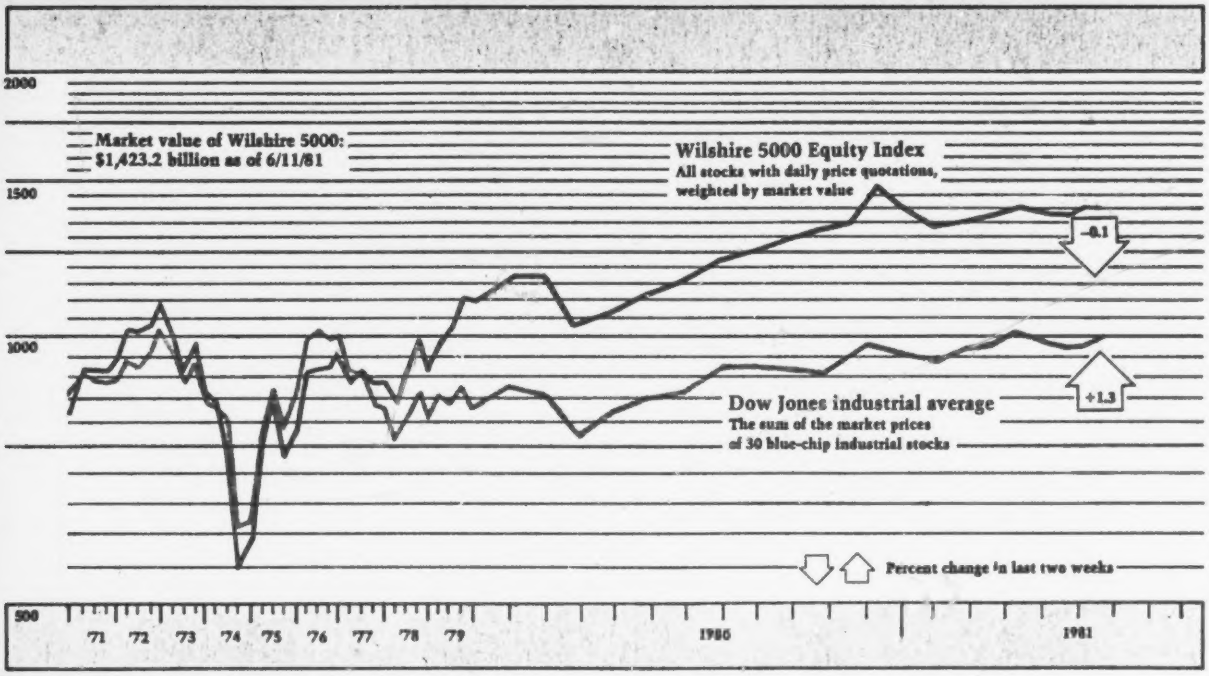
The Forbes/Wilshire 5000 Review



Is Wall Street close to escape velocity? By riding a series of modest gains the market has steadily picked up altitude over the last four weeks. The Dow is again darting into the rarefied air above 1000, and there is a chance that the previous Wilshire barrier of 1467, last hit in November, could also be cracked. Indications that interest rates are falling—at least for the moment—and oil price cuts have helped the market to sustain its upward momentum. Still, the oil stocks haven't fared well, as can be seen by the depression in the ASE index, which is often dominated by oil and oil-related companies. Surprisingly, however, over the last four weeks the Dow jolted ahead 3.5%. In comparison, the Wilshire, a measure of the performance of the entire market, is up a more modest 2.0%.

The NASDAQ index is still the 52-week champ. At the same time, the relative weakness of NYSE stocks, up only 17.8%, and to a lesser extent the ASE stocks, up 28.3%, have kept the Wilshire down to a modest 20.7% increase over the past year.

Another indication of the interest in smaller companies comes from our five key investor yardsticks. They continue to show strong upward movement in the shares of volatile, high-multiple growth companies. Issues with high volatility appreciated 72.7%—nearly 5 times as much as low-volatility stocks. And high-P/E stocks are up. That's twice the showing of their low-P/E counterparts.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	2.0	3.5	2.1	-0.2	3.3
in last 52 weeks	20.7	15.4	17.8	28.3	43.2

Stock performance based on five key investor yardsticks

Percent change	Volatility *		P/E multiple		Dividend yield		Growth profile †		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	4.5	2.1	1.7	2.9	3.6	5.2	3.7	3.6	2.0	7.0
in last 52 weeks	72.7	17.2	65.0	31.7	10.3	60.4	61.8	26.4	26.4	65.6

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

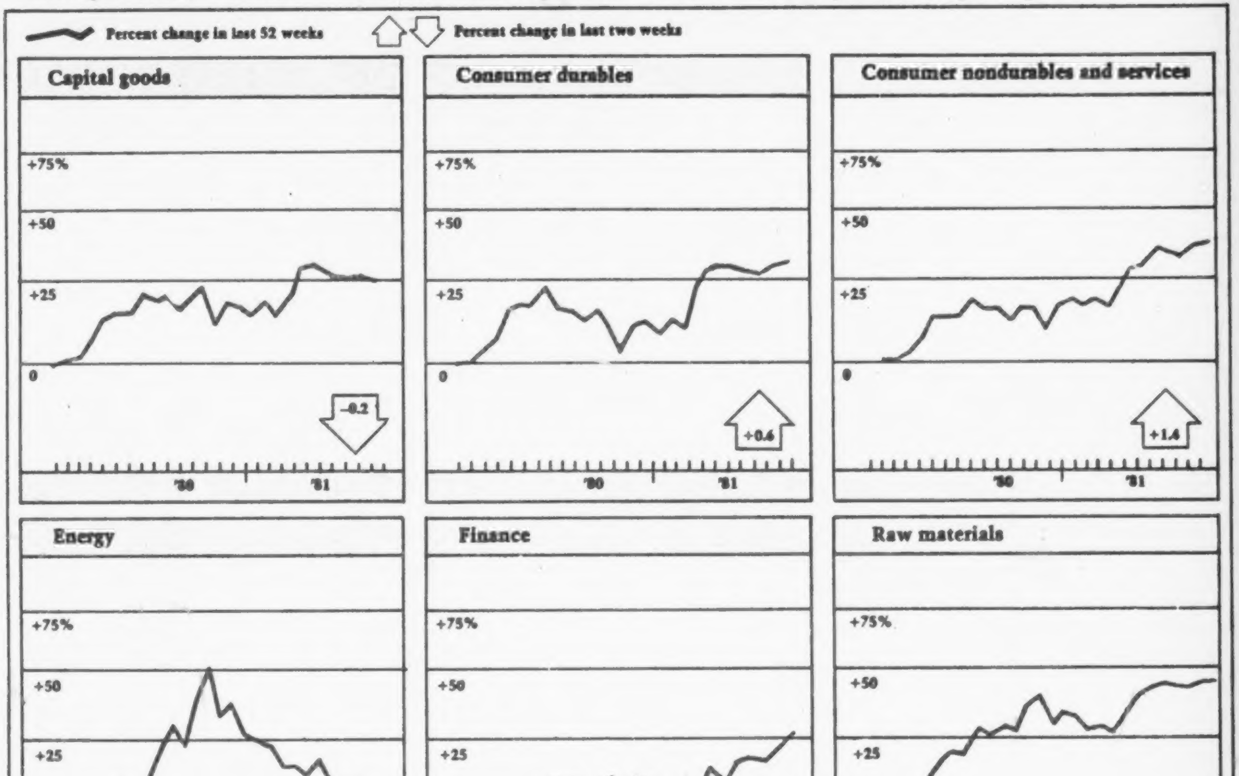
Note: All data for periods ending 6/11/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

A bull market with a split personality. For the four-week period, only the energy sector actually declined, but in the last two weeks the market has been much more selective in its gains: Four of our sectors went up, four went down and one—raw materials—broke even.

The energy sector again had the biggest two-week setback, 3%. The current oil surplus is forcing more and more producers, refiners and marketers to cut prices. Lower prices mean tighter margins and thinner profits, so investors have been pulling back from energy stocks.

Technology companies kept up their reputation for volatility. In our previous report, this sector rebounded strongly. But now it is slipping back into a slump. Finance is still strong. Both consumer durables and consumer nondurables moved ahead, but with gains that are far smaller than they have been posting.



Note: All data for periods ending 6/11/81. Prepared by Wilshire Associates, Santa Monica, Calif.

The Streetwalker

299 in 1980 to about 268 in 1981.

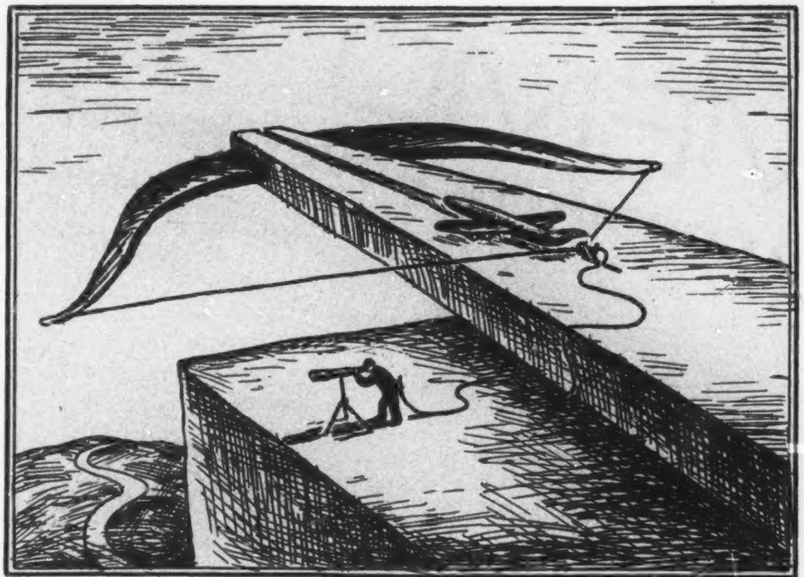
Originally, the Seattle-based company had hoped to make a smooth transition by introducing its new twin-engine 757 and 767 models at the same time it gradually phased out the popular three-engine 727. The new planes are expected to consume around 40% less fuel—but with the rise in oil prices over the past few years, order rates for the 727 declined faster than Boeing had projected. Now, deliveries of the new jets will not begin until late 1982.

So Boeing is caught in a classic squeeze: high manufacturing startup costs on the 176-passenger 757 and the 211-passenger 767 and, simultaneously, reduced demand for its bread-and-butter product, the 727.

Morton Langer, aerospace analyst at Bear, Stearns, reflects the opinion of Boeing's bears—the prevailing mood now on Wall Street. Langer starts with the decrease in orders and postponement of deliveries and adds: "There's more competition ahead from the Airbus, sales of which the governments in the Airbus consortium are willing to help finance." Despite a strong first quarter, he projects that Boeing will earn around $5.90 a share in 1981, down 5% from last year. In 1982 he thinks earnings could possibly drop to $4. There's more on the negative side: development costs of a 150-seat aircraft, yet another new plane. "They have to tool up for this to protect the low end of their line. They've got to go after it even if McDonnell Douglas may win."

Still, not everyone agrees. "I can't see how you can go wrong over the long term," says Stephen Leeb, editor of *Investment Strategist*. "The stock's price/earnings multiple is close to a historical low. Even though 1982 will not be a banner year, the company could still earn around $4 a share. That's a P/E of less than 8 based on the current price."

Leeb feels that Boeing's profits should start picking up by the end of next year. "But the market will respond much sooner," he predicts. "Within a couple of months Boeing should start its upward move. If you are going to have an airline industry, then airlines are going to have to replace their obsolescent aircraft. In order for an airline to be competitive under deregulation it must have the lowest-cost product. The company has almost a captive audience. Plus, there will be a kicker from military sales, which are bound to increase over the next couple of years."



Boeing, in fact, at bargain-basement multiples may be a lot more than just a short-term trading opportunity. The company is a clear market leader with nearly no debt and a record of steady profitability since 1948. It has a well-earned reputation for quality products and conservative accounting. What's more, Boeing's profits amounted to an enviable 26% return on net worth in 1980, and that figure should still be a respectable 20% in 1981.

Boeing reported earnings per share last year of $6.23. Even when these figures are inflation-adjusted to reflect current costs, they still come to $5.81 a share. This isn't a company that is cannibalizing capital for the sake of showing attractive short-term results. Although the 727 has had its moment of glory, orders for the smallest Boeing plane, the 737, are still running quite strong. And Boeing officials expect that the 747, with its high operating efficiency, will still be a viable product through the end of the century. One reason: In this top-of-the-line market segment, Boeing has no competition.

Right now Boeing is in the midst of its heaviest production startup spending on the new 757 and 767 airliners. These costs are depressing current earnings just as many institutional investors are beginning to worry about a soft order backlog. What sort of logic has airline shares soaring while Boeing's stock price hits new lows?

It seems a bet worth making that when more efficient planes are built they'll be essential equipment in every competitive fleet. For investors who like those odds, Boeing at today's prices is a bargain.—**Steve Kichen**

The goldbugs are selling— should you buy?

Gold is in a tailspin and stocks in mining companies are caught in its vortex. U.S. companies saddled with relatively high costs have been especially hammered. Over the last 12 months, well-managed Homestake, for example, has dropped 18%, to a recent $52.

Even the exceptionally efficient South African producers have been clobbered. Consolidated Gold Fields' Kloof Gold, one of South Africa's cheapest producers, has dropped by 11% since January. Western Deep Levels of Harry Oppenheimer's Anglo American group has plummeted 32%. Those declines are expressed in South African rand terms. When you factor in the rand's drop against the dollar—15% since January, to a current 1.14 rate—then the falls look even more spectacular.

Many doomsday goldbugs—men like Gordon McLendon and James Sinclair—are now touting other investments. Are there any contrarians in the house? Well there's Michael Levinson, who runs a small firm bearing his name. A self-confessed "gold crazy" who starts his workday at 4:30 every morning on the phone to London and Johannesburg to service his clients, Levinson is rampantly bullish on the gold stocks. "I reject the view that there will be an easing of inflation," he explains.

Depending on your appetite for risk, counsels Levinson, there are ba-

Buried values?

Those yields look tempting, but beware: Dividends on gold mines are nearly as volatile as the price of gold itself. And when the price of gold falls, most of those payouts are bound to be slashed. It happened last month, when the price of gold plummeted to $460. Blyvooruitzicht—one of the high-cost producers among the big South African mines—declared a dividend of $1.15 in June, down 35% from its February payout. Nor will buying a low-cost producer guarantee dividends: East Driefontein, which produces gold for $100 an ounce less than Blyvooruitzicht, was down 36% from its February payout. Of course, gold is not glittering as it once was and these stocks show as much: All are selling close to their 12-month lows.

Company	Annual production (thousands of ounces)	Per-ounce cost of mining	52-week price range	Recent price	P/E ratio	Dividend yield
Blyvooruitzicht	597	$213	28 –13	14⅞	4.8	19.5%
East Driefontein	1,260	105	42½–22¾	27⅝	8.3	14.4
Free State Geduld	1,090	186	92½–35½	35½	5.6	25.4
Kloof Gold Mining	995	125	52½–28	28	6.1	16.1
West Driefontein	1,572	113	106¾–66½	78¾	5.3	17.6
Western Deep Levels	1,470	169	80 –40¼	40¼	5.9	21.7
Western Holdings	940	155	115 –61	61	4.1	26.9

sically two ways to play: Either buy the blue chips of South African gold shares that "will be paying a dividend even if gold goes to $300." Or, if you think gold will test the stratosphere again, buy a highly leveraged "junk mine"—one which, at today's gold price, is probably uneconomic and likely to slash its dividend. Example: Loraine, an Orange Free State-based producer. Levinson says he started buying the stock heavily at 90 cents a share in 1978; it moved up steadily and reached its peak around $11 a share in October last year and is now back to $3 and change. These vertiginous moves, says Levinson, have come because Loraine's cost of production is around $500 an ounce. Once gold breaks that threshold, then Loraine becomes a money machine again, possibly capable of producing and paying dividends for 30 or 35 years.

Give Levinson credit: He's kept the faith in the face of sinking gold prices, soaring interest rates and a dwindling of speculative interest. Levinson is, however, a distinct minority—more in the mainstream is Richard Young, a gold consultant for New York's Hoenig & Co. South African gold stocks? "They should be sold across the board," says Young flatly. "There will be a lot of disenchantment with gold shares in portfolios and this is the deadest game in town when no one's interested."

But Young is just a *temporary* bear. Listen: "The investment climate for South African gold shares will be grisly over the next 12 months, and to me that's delightful. I love this type of market! In about six months it'll be time to do your homework. When things are really awful, it's time to do some aggressive buying."

The way Young sees it, when the gold stocks are hot they're all hot at once. So it doesn't much matter what's in your portfolio when the market takes off. The problem is knowing when that will happen. "The best way to play these things," he explains, "is to buy the mines with the highest yields. When they go, they all go together, and I'd just as soon have a high yield along with me for the ride."

Unfortunately, South African mining companies are like any other company: They tend to cut their payouts in lean times. To minimize the chances of that happening to your stock, say the analysts, look for the companies with the lowest cost of production. According to Julian Baring, a mining stockwatcher at London's James Capel, the most efficient major South African mines are East Driefontein (cost of production, $105 an ounce), West Driefontein ($113), and Kloof ($125), all linked to the Consolidated Gold Fields group *(see p. 39)*. Early in June two of these mines actually raised the final dividends: Kloof, for example, boosted its payout to R 4.00 ($4.56), up 25% against a year ago in rand terms.

London mining stockbroker David Ridley of Williams de Broe is fence-sitting: He doesn't anticipate gold prices rising until U.S. interest rates fall convincingly. Short of *higher* U.S. rates, however, he doesn't think gold will be falling much more: "I think gold in the $300 area implies a dollar-sterling rate of $1.65, and I just don't see that."

Many of the goldbugs are hunkering down, waiting for the news bulletins from the U.S. inflation front to turn negative again. They don't like a strong dollar, 20% prime rates and a falling inflation rate.

Yet they don't believe that the new Strong America campaign will or can last. If they believed it could keep going, they wouldn't stay goldbugs. As Ian Wright of London's Laurence Prust says of strong interest rates and the surging dollar: "I personally don't think that current U.S. policy can prevail. It would ruin Western Europe's economy."

Add to this the horrendous financial condition of the nonoil-producing Third World and the IMF's inflationary bias, and Wright claims the rise of the dollar has actually disguised the worst currency situation since 1971. He recommends buying solid, assets-in-the-ground gold mines: Camflo, Homestake and Campbell Red Lake in the U.S. and Canada; East Driefontein, Randfontein and West Driefontein in South Africa, or mining finance company Anglo American as a slower way in.

London-based gold expert Timothy Green is a consultant and writer, not a broker. With that background, he tends to look at the longer trends. "Gold in the 1970s," he says, "was just catching up to what it *hadn't* done from 1934 to 1968. Now, the price won't increase by 20 times in the 1980s. But we are moving from a situation where the world's monetary sector [*i.e.*, the central banks] has been a net supplier of gold, to a situation where the monetary sector will be a net buyer of gold."

This fundamental shift has, says Green, already begun: In 1979, central banks were net sellers of 544 tons of gold. Last year they were net *purchasers* of 230 tons. "Gold," he predicts, "will increasingly be used in international financial flows." Even in the U.S., the idea of returning to the gold standard now sparks debate instead of derision.

What is the poor investor to make of all this? Essentially that holding gold probably makes sense as some kind of insurance against the possibility of runaway inflation but as a hot speculation it has probably had it. The time to have made real money in gold was before it turned respectable—not after.—**Barbara Ellis and Barbara Rudolph**

Statistical Spotlight

With stocks, as with most things, it's often best to buy when everyone else is selling.

Get 'em while they're down

By Steve Kichen

IN MAY OF LAST YEAR Mobile Home Industries hit a 52-week low of 1 5/8. A recessionary economy, high interest rates and a tight market for mortgage money, a sharp fall-off in manufactured-home sales and a weak income statement prompted many investors to park their trailers elsewhere. In the past 12 months, however, Mobile Home Industries has more than doubled in price. Those who were willing to ride out the bad news profited handsomely.

Was the appreciation of Mobile Home Industries a fluke? Or can one succeed on Wall Street by taking a contrarian approach—investing when the market is divesting? We decided to test that hypothesis. We arbitrarily selected the month of May 1980 because a period that far back in time is long enough for a stock to make a comeback. In addition, the market then was in a moderate upswing—so companies hitting new lows were missing out on Wall Street's general euphoria. New issues, recently split stock, investment companies, preferred stocks and utilities were not included in our study.

As our table below indicates, it was generally a winning proposition to invest in Big Board issues that hit 52-week lows—at least in May 1980. Of 43 stocks, 37, or 86%, showed some advance. And 25, or 58%, advanced at least 35%. In fact, a portfolio consisting of $1,000 invested in each of these 43 stocks is now worth $63,000.

During the same time that our port-

After the fall

In May of 1980 these 43 stocks were anything but the darlings of Wall Street. Each had fallen to a 52-week low. Since touching bottom, however, most of these issues have shown substantial price appreciation. In fact, had you invested $1,000 in each of these shares at their low, your $43,000 portfolio would now be worth $63,000, a 47% gain. The moral: Sometimes it pays to buy on the bad news.

					Earnings per share		Latest	
Company/principal business	Recent price	Lowest price of May 1980	% change in price	Price range 1971-81	latest fiscal year	latest 12 months	12-month P/E ratio	Indicated yield
Mobile Home Ind/mfgd homes	4½	1⅝	176.9%	33¾– 1½	$0.13	$0.08	56.3	—
Peabody Intl/machinery	44⅜[1]	17⅞	148.3	NA	1.66[2]	1.95[2]	NA	NA
Keystone Cons Ind/steel & wire	17¼	7¼	137.9	30¾– 7¼	d1.84	d4.36	NM	—
Stride Rite/footwear	26⅜	11¾	124.5	24 – 6	2.08	2.18	12.1	4.7%
Great Lakes Intl/maritime	39⅛	17⅞	118.9	46 – 3½	2.72	2.08	18.8	2.6
Palm Beach/apparel	27⅜	13	110.6	28½– 2	3.56	3.94	6.9	4.4
Donaldson Co/auto parts	30¾	16⅛	90.7	33 – 4⅛	1.60	1.83	16.8	2.1
Mohasco/mfg carpets	13	7	85.7	48⅝– 7	d0.34	d0.31	NM	—
Dana/auto parts	32½	17⅛	81.8	32¾– 7	2.78	2.01	16.2	4.9
Stop & Shop Cos/grocery stores	23⅜	12⅞	81.6	24¾– 7⅝	3.01	3.01	7.8	5.6
Earle M. Jorgensen/steel	49½	27¾	78.4	52¾– 7¾	6.29	6.81	7.3	3.2
MacMillan Bloedel/forest prods	36	20¾	73.5	45¾–13½[3]	4.17	2.81	12.8	4.0
Gannett/publishing	44⅜	26	70.7	46 –10⅞	2.81	2.87	15.5	3.4
Arvin Inds/auto parts	16½	9¾	69.2	29⅛– 4⅞	0.92	1.14	14.5	6.8
Kuhlman/electrical equip	12	7⅜	62.7	19⅝– 4¼	0.02	0.41	29.3	6.7
Illinois Tool Works/fasteners	32½	20¼	60.5	37 –13⅝	3.62	3.55	9.2	3.3
Ingersoll-Rand/machinery	73⅜	45⅞	59.9	98¼–44¼	8.08	8.11	9.0	4.6
Parker-Hannifin/machinery	37⅞	23⅞	58.6	36⅞– 8½	3.80	3.35	11.3	3.5
Richardson Co/battery parts	20	13¾	45.5	35 – 7¾	0.78	1.08	18.5	6.5
Tektronix/precision instr	60	41⅝	44.1	70¼– 9	4.66	4.51	13.3	1.5
Unilever Ltd ADR/consumer prods	48½	33¾	43.7	53⅛–14	7.06	7.39	6.6	4.3
Snap-On Tools/tools	26⅝	18¾	42.0	31⅞– 7½	1.92	1.92	13.9	3.2
McLouth Steel/steel	7¾	5⅝	37.8	23¾– 5½	d10.22	d10.50	NM	—
CBS/broadcasting	58	42½	36.5	64¾–24⅜	6.92	6.95	8.3	4.8
Transcon Lines/trucking	6¾	5	35.0	25⅝– 4¾	0.02	d0.32	NM	1.5

[1] Price includes price of one share of spunoff company, Geo International. [2] Includes income from spunoff operation. [3] Price range for less than ten years. [4] Company filed for Chapter 11. Firm delisted from NYSE, now traded on the over-the-counter exchange. d: deficit. NA: Not applicable. NM: Not meaningful.

Company/principal business	Recent price	Lowest price of May 1980	% change in price	Price range 1971-81	Earnings per share latest fiscal year	Earnings per share latest 12 months	Latest 12-month P/E ratio	Indicated yield
Compugraphic/phototype equip	23⅞	17¾	34.5%	48⅜– 3½	$1.72	$0.68	35.1	—
Gould/electrical equip	25⅜	19¼	31.8	35½– 8¾	2.10	1.87	13.6	6.8%
Hayes-Albion/auto parts	9½	7¼	31.0	26¼– 6⅜	d0.77	d1.41	NM	—
NCR/business equip	63½	51¾	22.7	81½–13⅝	9.51	9.57	6.6	3.5
American Family/insurance	8⅞	7¼	22.4	15½– 2⅜	1.36	1.28	6.9	6.8
Amer Broadcasting/broadcasting	31	26	19.2	47⅝– 7⅝	5.18	4.77	6.5	5.2
Allis-Chalmers/ag equipment	26⅛	22⅜	16.8	38⅝– 6⅛	3.60	3.14	8.3	7.7
Nashua/business equip	22¾	20¼	12.3	61⅞– 9	4.60	4.05	5.6	6.6
Ford Motor/automotive	23¼	21⅛	10.1	65⅞–18⅛	d12.83	d15.12	NM	5.2
Genl Growth Prop/REIT	19	17¼	10.1	47 – 8¼	12.19	0.47	40.4	2.1
Lynch Comm Sys/telecom equip	14¼	13	9.6	29½– 3	d1.36	d1.93	NM	0.7
National Steel/steel	27⅜	25⅝	6.8	52¼–23	4.42	d0.38	NM	7.3
Data Terminal Sys/computer equip	15½	16⅜	–5.3	49⅞– 4⅜[3]	d0.58	d0.58	NM	—
Intl Harvester/ag equip	18	23	–21.7	45½–15⅜	d12.91	d3.17	NM	—
Toro/appliances	9½	12⅝	–24.8	29⅝– 3½	0.90	d2.66	NM	—
Burroughs/business machines	42	60⅜	–30.4	126⅜–41⅞	1.99	1.37	30.7	6.2
Massey-Ferguson/ag equip	3¾	7	–46.4	32¼– 3¼	d10.54	d14.82	NM	—
Arctic Enterprises[4]/recreation equip	⅞	2⅝	–66.7	45½– 1¼	d3.67	d5.92	NM	—

[1]Price includes price of one share of spunoff company, Geo International. [2]Includes income from spunoff operation. [3]Price range for less than ten years. [4]Company filed for Chapter 11. Firm delisted from NYSE, now traded on the over-the-counter exchange. d: deficit. NA: Not applicable. NM: Not meaningful.

folio racked up a 46.7% gain, other market indicators—as measured from the last trading day of May 1980—didn't do as well. The Dow Jones industrial average gained 16.9%, and the NYSE index, which, of course, includes all the stocks in our portfolio, was up only 20.6%. Our portfolio even outperformed the S&P's 500 18.6% gain and the 25% gain of the broadly based Wilshire index.

There were several big winners besides Mobile Home Industries. Keystone Consolidated Industries shot up 138%, Stride Rite ran up a 125% gain and Palm Beach moved ahead 111%. Inevitably there were a few losers. International Harvester fell 22%, Arctic Enterprises filed for Chapter 11 and declined 67%. Troubled Massey-Ferguson dropped 46%.

Still, the overall gains posted by one sample are so impressive, we decided to put together a second list, this time of stocks that have recently hit 52-week lows. We left out the same groups of stocks as last time, but in this table we also excluded energy and energy-related companies because almost all of these companies have been slumping to new lows.

John Wright, a very smart money man *(see p. 181)*, says the stock market is wrong 95% of the time. That, of course, flies squarely in the face of perfect market theories—which claim just the opposite. But if the market never misses, how come there are so many winners among the stocks that lost big last year?

Chalk up one for Wright and others like him who think Wall Street is usually wrong. ■

Free fall

These 27 stocks have recently fallen to 52-week bottoms. Whether they will plunge even lower is anybody's guess. However, if the past is any indication of the future, at least half of these companies will be selling at substantially higher prices within a year's time. The table below lists a wide range of companies, but energy and energy-related shares have deliberately been excluded. Nearly all the energy companies have hit new lows recently.

Company/principal business	Recent low price	Price range 1971-81	Latest 12-month earnings per share
American Bakeries/bakery products	14¼	22⅝– 2⅞	$1.16
Amer S&L (Fla)/savings & loans	13⅛	28⅝– 4¼*	d 0.35
APL/paper products	6⅛	17⅜– 2⅛	d 2.23
Benguet/engineering equipment	6¼	19⅜– 1⅜	1.03
Boeing/aerospace	29⅝	45⅞– 2½	6.27
Bucyrus-Erie/mining & construction equip	19	30¼– 8⅜	2.05
Caesars World/hotels, casinos	10⅝	36⅛– ½	1.13
Callahan Mining/silver mining	18¾	39⅝– 3⅝	1.61
Crown Zellerbach/forest products	38⅜	62¾–19¾	3.14
Diamond Shamrock/chemicals	27¾	40 – 8¼	3.45
Diversified Inds/metal reclamation	3¾	14½– 1	0.78
Fidelity Financial/savings & loans	4⅞	14¾– 1⅞	d 1.07
Finl Cp of Santa Barbara/bank holding, S&L	8¾	19¼– 2⅜	d 1.37
First Mississippi/chemicals	15¼	30¾– ⅜	0.99
Fluor/engineering & construction	33¼	71 – 3⅜	2.87
Growth Realty Cos/real estate	4	35 – ¾	0.75
Johns-Manville/building products	19⅝	46⅛–14⅜	2.24
Measurex/electrical equipment	21⅛	48½– 8½	1.67
No Calif S&L/savings & loans	10⅛	21⅞– 3⅝	0.41
Pitney Bowes/office equipment	28	40⅜– 6⅝	4.01
Publicker Inds/chemicals	4½	11¾– 2	d 0.33
Revlon/cosmetics	40	59 –19⅜	4.72
Spectra-Physics/lasers	29¾	57⅜– 5¼*	1.58
Sunshine Mining/silver mining	10⅞	26¼– 2⅞	d 0.38
UNC Resources/uranium mines	11⅛	34¼– 3⅞	1.64
Unilever NV/consumer goods	54	67¼–26¼	12.26
Williams Cos/fertilizer	27¼	49⅞–14	5.60

*Price range for less than ten years. d: deficit.

JULY 20, 1981 TWO DOLLARS FIFTY CENTS

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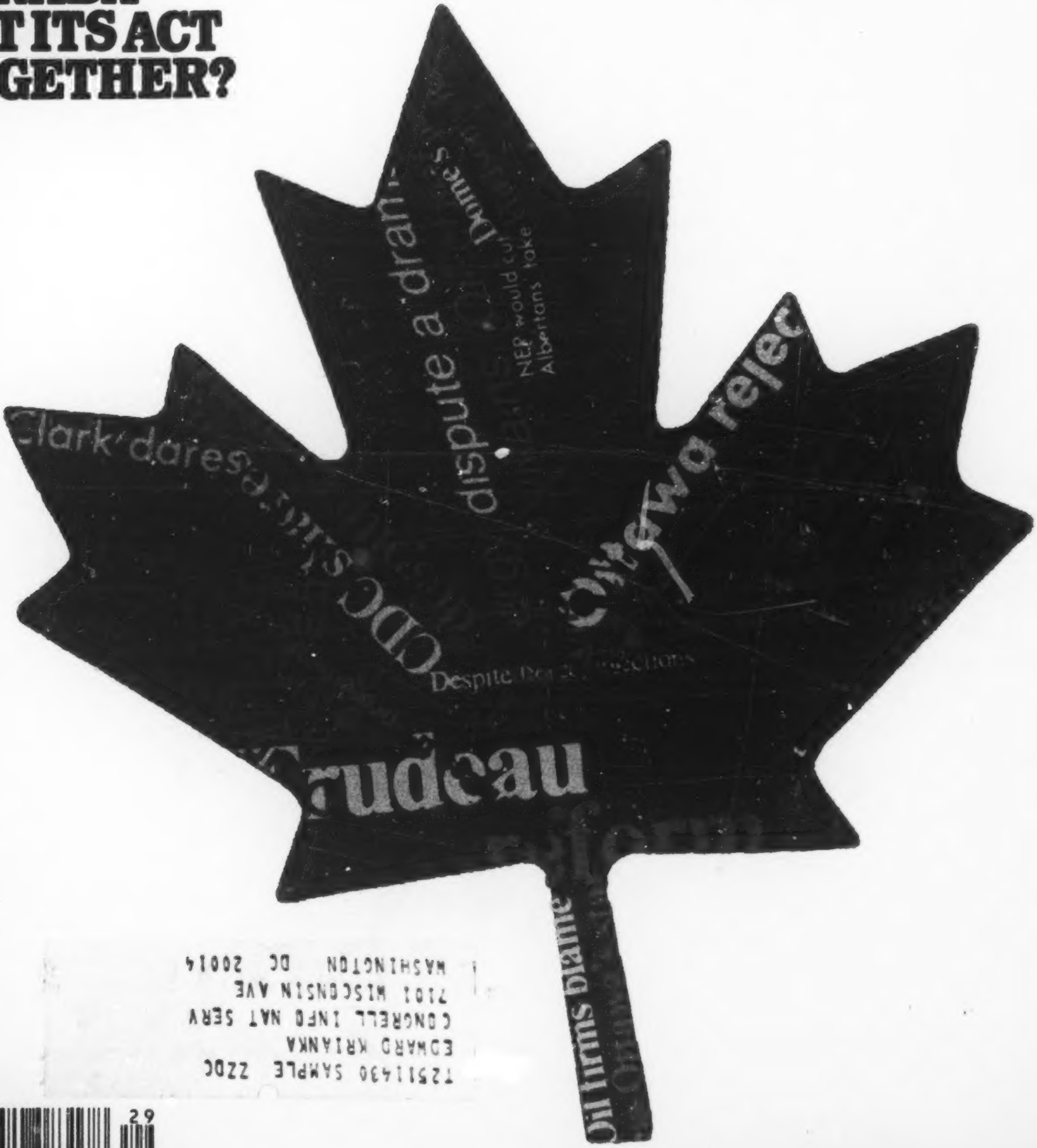
Forbes

CAN CANADA GET ITS ACT TOGETHER?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Forbes

July 20, 1981
Volume 128,
Number 2

67 *Cover Story: "Canada is less a country than a collection of little worlds," says one member of Pierre Trudeau's cabinet. Now the glue that joins them is coming unstuck.*

35 *Computer Scam: A former Supreme Court Justice's son is determined to get to the bottom of it.*

40 *NL Industries: How Ray Adam turned lead into oil services.*

31 Insurance:
Where Are The Profits?
Universal life insurance is a new wrinkle that looks like a great deal for the customer but maybe not for the insurance companies.

32 Oil Companies:
Who Needs Enemies?
Some of big oil's best friends live on Wall Street. So what The Street is saying now is a double shock.

34 Companies:
Toronto-Dominion Bank
Aggressive Canadians make for good business—and unsettling thoughts.

35 Investments:
The Great Computer Scam
You don't need a new game to attract the suckers; just wrap an old one in the trappings of high technology, and they will beat a path to your door.

37 International Affairs:
Poorest Of The Poor
These are not "less-developed," they are least-developed. Their present existence is unimaginably bleak, their future probably even bleaker.

40 Companies:
NL Industries
Getting the lead out of National Lead.

42 Companies:
Square D Co.
Over and over again, Square D shareholders have had to give up short-term earnings in the interest of the long term. Over and over again, Mitch Kartalia has proven the wisdom of that strategy.

46 Housing:
The Final Whistle?
After trying to sell their five-bedroom house in Fairfax, Va. for five months without a single realistic offer, Carilyn and John Redman decided to raffle it off. Ingenious? Sure, but also more than a little ominous.

47 Housing:
The Bluebird Of Happiness
It's a second mortgage, to hear the bankers tell it. But a house is to live in, not to leverage.

52 The Up-And-Comers:
Emerson Radio
Remember that famous old name? Its current owner is Steve Lane's cost-conscious little company, which sees a glittering prize ahead after "20 years of walking around turning off the lights."

58 Companies:
Cleveland Wrecking Co.
Construction means destruction, which is just the way Bill Fenning likes it.

60 Companies:
Denny's Inc.
When in doubt, don't panic.

65 Companies:
Kellogg Co.
Hardly anything has as much snap, crackle and pop on its earnings report as cereal. But, to keep on growing, the autocrat of the breakfast table may have to settle for lower profits from something else.

67 Cover Story:
Trudeau's Real Strategy
Those socialistic energy policies are not a real ideological leap to the left; they are ammunition in Pierre Elliott Trudeau's battle to keep his country from breaking apart.

75 Economics:
Louis Kelso And The Two-Factor Theory
A man who upsets both Right *and* Left can't be all bad.

82 Taxing Matters:
The Bounty Hunters
Like many a government program, the Targeted Jobs Tax Credit was a well-meaning idea that didn't work. That's where Roy Johnson comes in.

83 The Numbers Game:
The Great Railroad Wrangle
It sounds like a vaudeville routine. But it's serious business.

84 Personal Affairs
There are tax shelters and tax shelters. In the oil business, some can get gooey. Also: How to stay out of the boneyard when you have been blindsided; how to incorporate yourself for fun and profit.

65 Kellogg: A $50 million gamble on a new kind of cereal.

75 Louis Kelso: By looking for answers instead of cant, he came up with the philosophy behind ESOPs.

82 Taxing Matters: Don't blame Roy Johnson. Blame your Congressman.

108 The Streetwalker: How come the shoe industry has legs these days?

Faces Behind The Figures

92 Reynold Schwab,
Swissair
92 Thomas Jacobsen,
United Canso
94 Harry Helmsley,
Real estate developer
94 Thomas Kenney,
Charter Co.
94 Ben Morgan,
Dairymen, Inc.
96 Philip F. Johnson,
Commodity Futures Trading Commission
96 Sir George Jefferson,
British Telecom
97 Richard Jenrette,
Donaldson, Lufkin & Jenrette
97 William Fine,
Frances Denney Corp.

102 The Funds:
The Big Boil-Up In O-T-C Stocks
What's your strategy? Trim sail into cash? Peel off some high multiples? Lighten up on the high-tech stuff? For many of the pros these days, the answer is all of the above.

106 The Money Men:
Richard J. Hoffman Of Merrill Lynch
It's not just that you said it, it's when you said it. Hoffman wants the record straight.

108 The Streetwalker:
The Shoe Industry; Witco; Asarco
There's a new shine on the shoe companies these days, and they're walking Wall Street in style. Witco Chemical Corp. and its Kendall Motor Oil appear to be suffering from engine knock—but investors who look under the hood may find some tempting undervalued assets. And around Asarco, MIM's the word.

110 Statistical Spotlight:
The 20-10-10 Screen
Buying growth stocks without paying a premium would seem like having your cake and eating it, too. One professional investment adviser has devised an approach to it. But not many stocks get through his computerized screening process.

Money And Investments

25
What's Ahead For Business?
26
The Forbes Index
99
The Forbes/ Wilshire 5000 Review

Columnists

113
Ben Weberman
114
Heinz H. Biel
115
Ashby Bladen
116
Srully Blotnick
117
Stanley W. Angrist
118
Richard B. Hoey
120
John Train

Departments

4
Side Lines
8
Trends
12
Follow-Through
16
Readers Say
19
Fact and Comment
22
Other Comments
122
Editorial Index
123
Flashbacks
124
Thoughts

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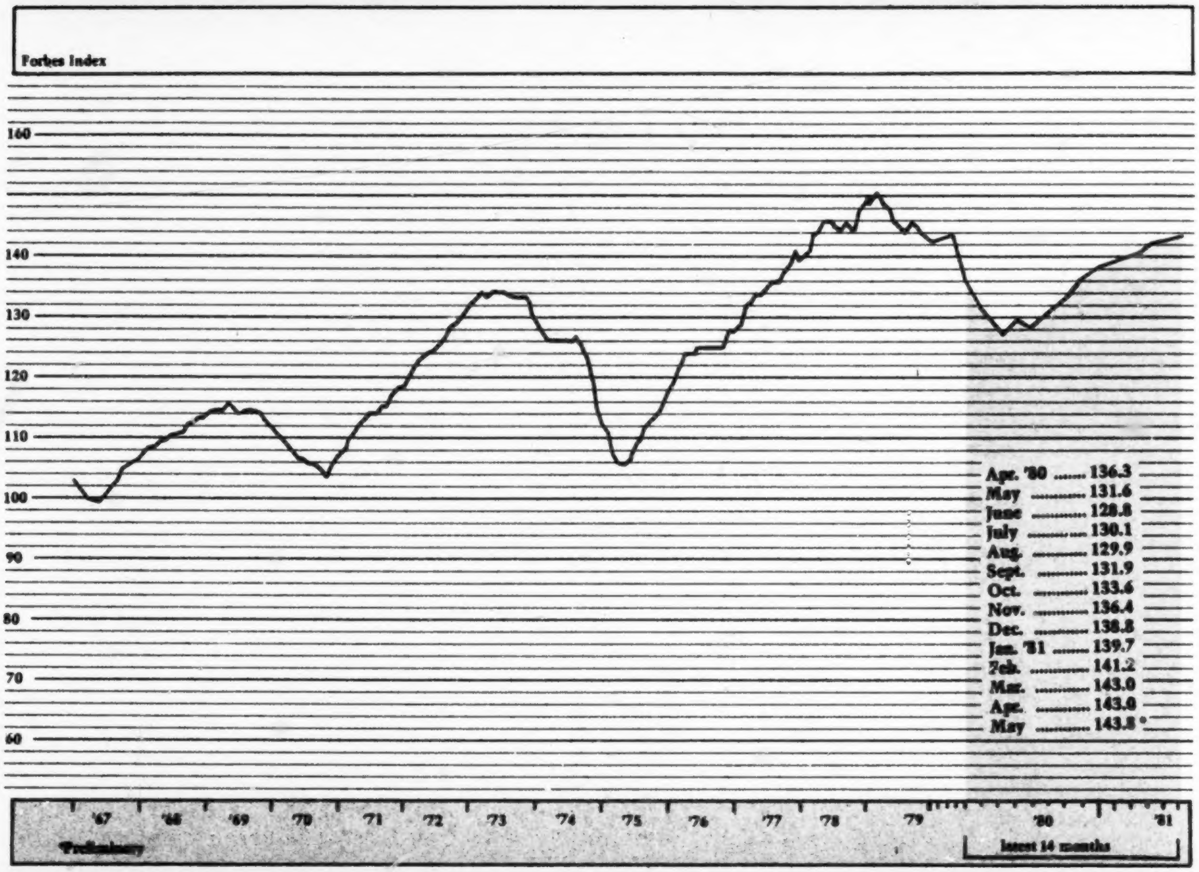
The Forbes Index

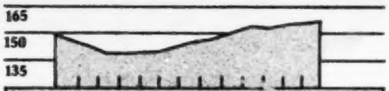


Apr. '80	136.3
May	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.7
Feb.	141.2
Mar.	143.0
Apr.	143.0
May	143.8*

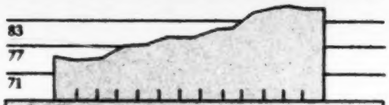
*Preliminary

The Forbes Index Components

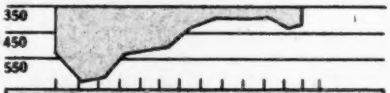
Stalled on the way up? Minor revisions show that the Forbes Index was unchanged from March to April. This is the first time it has failed to register a month-to-month gain since September. Thus, the downturn many experts predict could be getting closer. Preliminary figures show that the Index was up marginally in May, but when the three remaining components are available that could disappear.



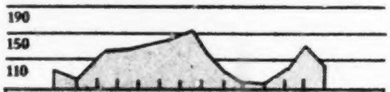
Industrial production index (1967=100) seasonally adjusted (Federal Reserve)



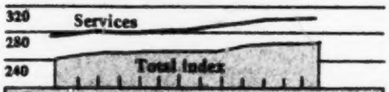
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)



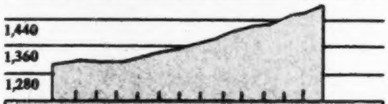
Unemployment claims (thousands) seasonally adjusted* (Dept. of Labor)



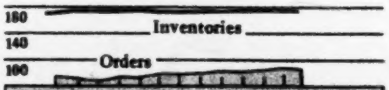
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)



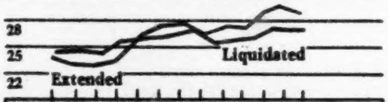
Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

Total retail sales

New housing starts

Personal income

The change in the amount of consumer installment debt outstanding

To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.

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funds to his savings component at will, as long as he keeps the face amount of his term insurance higher than the policy's cash value. In addition, withdrawals can be made with no tax penalty. By comparison that makes whole life's "cheap" policy loans look expensive.

The bad news, however, is that if universal really gets rolling, its effect on the insurance industry could be traumatic. The big mutuals fear they might "cannibalize" their own portfolios by replacing high-margin whole life policies with less profitable universal life. "It's a classic case of margin squeeze," says one analyst. "There is a possibility that you could see some major companies on the brink of bankruptcy."

Some major insurance companies obviously don't want this to happen. "They are lobbying intensely with the IRS to have the tax ruling on universal changed," says Denis Callaghan, an analyst at Dean Witter Reynolds. In that January decision—stated in a private letter to Hutton—the IRS decided that universal is an insurance rather than an investment vehicle.

"That decision really opened the floodgates," says Richards, a 51-year-old Englishman who sold his company, then called Life Insurance Co. of California, to Hutton in 1978. Transamerica Insurance, Occidental of North Carolina, First Penn-Pacific and Life Insurance Co. of Virginia have already joined Hutton in the marketing of universal life. Another 50 companies are reportedly gearing up to offer the product, and scores more, including all of the giants, are studying it. Over 40 states have approved a version of the policy.

If Richards is correct, and unless the insurance giants move fast, the winners would be those smaller, newer companies already in the game. "We have nothing to lose and everything to gain," he explains. Their aggressiveness is threatening to set off a free-for-all within the industry. In May, for example, a major company, the Hartford Insurance Group, announced that it would offer universal. Hartford should almost certainly drain some whole life business from other companies.

Here's why: In recent years the industry has been battered by the drastic decline in sales of whole life. Young adults, unwilling to accept the 3% to 4% annual returns it offers, are buying lower-cost term insurance and investing the difference on their own. Recently sales of term insurance surpassed those of life for the first time. And universal life should reduce the demand for whole life still more.

The biggest losers in all this may be individual insurance agents. "The spread of universal means the end of the agency force as we know it," predicts one insurance executive. He adds that today's army of 250,000 agents could shrink dramatically. The reason is that agents who pocket first-year commissions of 55% or more on whole life sales simply won't be able to survive if universal eats into their market. Commissions on universal are quite low. In fact, they are only slightly higher than commissions on term insurance.

Indeed, the tax benefits of universal may make it so popular that it won't require the personal "sell" necessary for most insurance products. "This is something that stockbrokers who are used to high-volume, low-commission rates may be much more at home with," says Underhill of New York Life. Indeed, Prudential, which recently acquired Bache Group, is thinking about joining its customers' insurance payments with a cash management account planned by the brokerage firm.

The Bache acquisition could provide Prudential with a mass marketing arm for universal, and simply by setting up another subsidiary, the parent mutual also could capture life insurance tax benefits. "It is conceivable that we may see subsidiary companies grow to enormous size as the parent mutuals grow smaller," says Underhill.

It is no wonder that so many life insurance executives are a bit befuddled. "These guys are like deer with a spotlight on them. They don't know what to do," say Denis Callaghan of Dean Witter.

But doing nothing is a luxury they may soon be unable to afford. Listen to the ever-optimistic Richards: "Universal life will probably account for 90% of all nonterm life insurance sales by 1990." ■

With the money gone out of refining and marketing, Wall Street is now giving the big oil companies a warning they never thought to hear from friends: Divest!

Break up big oil?

By Carol E. Curtis

It's one thing when a scapegoat hunter running for President hollers, "Break up big oil," as Ted Kennedy did after OPEC started driving oil prices toward the moon. It may be unpleasant, but it passes.

It's quite another thing, though, when Wall Street, where some of the industry's best friends hang out, starts saying it too. That's more than unpleasant; it can be hazardous to a company's survival.

That astonishing message—break up the big oils—comes through loud and clear in the prices investors are now willing to pay for oil stocks. Most oil stocks, to be sure, have taken a beating over the last year or so as rising crude supplies and slackening demand have made it tougher to pass along higher costs to consumers. But obscured in the fall have been some sharp and, to the big companies, insulting distinctions. Punished the most, as the table on page 33 shows, have been the fully integrated oil companies, those with extensive refining and marketing operations, as well as exploration and production. Far less hurt have been companies concentrated in exploration and production only.

The market is saying, in effect, that refining and marketing are a drag on an oil company's stock price. It's saying that a lot of the majors would be worth more in pieces than integrated. Says Kurt Wulff, an oil analyst with Donaldson, Lufkin & Jenrette, "Inves-

Better off in pieces?

How much of a drag refining and marketing are on integrated companies' stocks is shown in the numbers below. The integrated oils are selling at much deeper discounts from the value of their oil and gas properties than nonintegrated companies. The judgment is confirmed in the higher premiums over understated book value for nonintegrated companies.

Companies	Recent stock price	Present value*	Stock price as % of present value	Book value	Stock price as % of book value
Integrated					
Sun	33⅞	$130	26%	$34.38	99%
Getty	66½	250	27	50.44	132
Standard of Indiana	55⅛	205	27	32.10	172
Standard of Ohio	48⅛	170	28	18.57	259
Atlantic Richfield	47	170	28	29.96	157
Phillips Petroleum	37¾	130	29	32.44	116
Marathon	60	210	29	31.97	188
Cities Service	47¼	130	36	30.96	153
Shell	44⅞	120	37	26.21	171
Conoco	65	147	44	42.45	153
Nonintegrated					
General American Oil	37¼	67	56	15.75	237
Natomas	26½	43	62	16.17	164
Southland Royalty	24⅝	40	62	2.30	1,070
Louisiana Land	36⅜	55	66	19.63	185
Superior Oil	184⅜	270	68	71.04	260
Williams Cos	28⅜	40	71	32.49	87
Mitchell Energy	28½	32	89	5.96	478
Helmerich & Payne	44	49	90	9.28	474
Mesa Petroleum	25¼	28	90	7.59	333
Texas Oil & Gas	35½	25	142	5.50	645

*Per-share value of oil and gas properties if sold separately.

Source: Donaldson, Lufkin & Jenrette.

tors clearly believe that concentrated companies are more efficient."

Wulff, a tall (6 feet 2) model of Wall Street rectitude (Harvard M.B.A., registered Republican), has compared the stock prices of integrated and nonintegrated companies with the "present value" of their oil and gas properties—the present value being what they would fetch if they were sold separately, free of the companies' other operations. The numbers are astonishing. For ten large integrated companies, Wulff found that current stock prices averaged less than one-third of their theoretical present value. For ten exploration companies, he found, stock prices average almost four-fifths of their present value. "The more diversified the company," Wulff notes, "the bigger the discount."

These undervalued companies are sitting ducks for cash-rich outfits on the prowl. Edgar Bronfman, for one, chairman of Seagram Co. Ltd., appears to be playing the assets-at-discount game like a virtuoso. He sold oil and gas properties to the Sun Co. for $2.3 billion last summer, which had been purchased by Seagram in 1963 for $266 million. The sale price to Sun worked out to about $12 per barrel. Bronfman last month made a $2.5 billion bid for 41% of Conoco stock. That price works out to just $6 per barrel equivalent for a 41% stake in Conoco's energy properties. Thus Conoco, among the smaller of the big integrated outfits, is learning the hard way what can happen when one's stock is selling at a huge discount from its underlying value.

What is happening to Conoco can happen to others. One of the most inviting targets, Wulff reckons, may be Marathon Oil, a small integrated company currently selling at a big discount. At $60 a share, Marathon is going for 29% of its theoretical present value. In fact, scuttlebutt among followers of oil stocks is that someone has been quietly buying Marathon stock in 400,000 to 500,000 share blocks. The buyer is rumored to be SEDCO, a Dallas-based drilling company.

To defend itself against takeover, Marathon could sell off its overseas operations, including refining and marketing properties. Wulff thinks they might be worth $1.3 billion to someone who isn't wholly disenchanted with that end of the business. The proceeds could then be used, say, to repurchase 21 million shares of Marathon stock at $60 per share, and thereby reduce the total outstanding by more than one-third. Wulff thinks that, unencumbered by refining and marketing assets, the stock price would climb much more than one-third, perhaps enough to fend off the likes of Seagram. After all, if Marathon had one-third less common outstanding, the present value would be $290 per share. Four-fifths of that—what the average nonintegrated oil is fetching—is $232 per share.

Failing to find a buyer, Marathon could simply spin off its refining and marketing operations as a separate entity. It would get no cash that way, but it would still have good hopes of closing up its dangerous discount.

With $8.7 billion in revenues, Marathon is the smallest of the widely held U.S. integrated oils and would thus be more likely to get a quick lift from divestiture. And, says Wulff, "If smaller companies are successfully restructured, it's not a much bigger step to go after Gulf." Gulf, as it happens, is selling at a discount only slightly less than Marathon's.

Predictably, Marathon is not keen for the idea. Said a spokesman last month: "We don't believe the [divestiture] approach is in the best long-term interests of our shareholders." Nor is there much chance that the bigger integrated oils will take the divestiture step on their own. As a practical matter, salaries at the top are determined largely by sheer size. Beyond that, with Reagan in the White House and Ted Kennedy sitting in a Republican Senate, Washington isn't likely to force them to do it.

Still, the idea of divestiture has the powerful logic of the market going for it. At least one of the larger integrated oil companies, in fact, is voluntarily selling off some refineries. Last November Sun sold a 48,000-barrel-a-day refinery in Oklahoma. This April it put a 60,000-barrel-a-day facility in Corpus Christi on the block. Sun makes no bones about the reason. Most of Sun's 52% drop in earnings in this year's first quarter was due to poor performance in refining and marketing.

Most integrated companies are still choosing to mothball their refineries and wait out the down market rather than sell them. But Seagram's bid for Conoco is a dramatic example of the danger in such a strategy. "The best defense against moves like that is to get your stock price up on your own by restructuring," Wulff says. "The most secure companies can still do what they want. But the less secure will be under growing pressure to divest. If they don't do it on their own, someone will do it for them." ■

1980? "Paine Webber swept it under the rug," Black says flatly. "It's about as dumb as what Nixon did." He has filed claims against both Becker and Paine Webber, charging them with failing to exercise due diligence.

Both firms deny it. "Our own investigation indicated that our firm should have no liability," says a Paine Webber spokesman. A.G. Becker? "There is no way that we could have known what he was doing," says Becker Vice President Suzanne Pederson. "We had a responsibility to execute and clear trades for Barclay and we did that. Barclay was our customer—not Greenman."

These arguments don't sit well with the investors. "My funds went to Becker, came from Becker, and were to be accounted for by Becker," says Don MacLean, a former Jacksonville city councilman who, with friends, invested $6.7 million. "Becker contracted for profit to provide the financial responsibility and they got it."

Of course, the investors could have discovered they were being taken for a ride by calling Becker to verify their account numbers and mailing addresses. This never seems to have occurred to them. Still, says Tom Tew, attorney for a number of the investors, "Becker's internal control should have noticed the fictional account numbers on the checks."

What was the purpose of all this double bookkeeping? Black says his records show that between December 1980 and April 8 of this year Greenman withdrew $4.5 million from his Becker accounts. Black is certain that Greenman has the money, and he wants it all back.

Greenman is not talking, and his lawyer, Miami attorney Robert Paul, is not saying much. Greenman is cooperating in good faith, says Paul; he is not currently under indictment and could leave the country at any time. "But he has chosen to stay and straighten this out." Paul suggests that some of the blame belongs on the shoulders of the general partners. "There were 400 investors in the program and Greenman only knew 40 of them. I think there's a pervasive greed among these investors that is hard to be sympathetic with."

And Allen Wolfson, the investor with the checkered past who first brought the police to Greenman's trail? Wolfson got out whole when Greenman paid him off. But talk about double jeopardy! Wolfson put $500,000 of the money in an unrelated computerized commodities trading scheme called the Chilcott Futures Fund, which promised returns as high as 100%. Still following Wolfson's trail, the FBI raided Chilcott June 15 and found that, while it was reporting assets of close to $100 million, it actually had only $6.3 million on account, with untallied additional millions in oil, gas and mining investments. FBI Special Agent Alfred Scudieri hints that yet another fund might be closed down soon. "Our first reaction to Greenman was that this whole thing was unusual," he said. "Now our opinion is changing. We're probably only scratching the surface." ■

Some 270 million live in what are called the "least-developed countries." Their future looks worse than the present.

Poorest of the poor

By Desiree French

HERE ARE THE 30 poorest nations on earth: 20 are in Africa, the others scattered along the ragged edge of the world from Yemen to Haiti. Some 270 million live in these 30 nations, with not much of a present and less of a future.

Life has not been getting better in the 30. Their economies depend on the food they grow—83% of the labor force work the land. Worse, agricultural production per capita has decreased in the past two decades. In some cases total food production—not just per capita output—has actually fallen. In Ethiopia, for example, total food production dropped 16.5% between 1974 and 1979.

The Brandt Commission report, set up at the suggestion of then-World Bank President Robert McNamara, makes the point better than FORBES

A sugar cutter in Haiti

Will help from outside be even harder to come by?

could: "Each of them has a slim margin between subsistence and disaster; and they are all circumscribed by their ecology and their dependence on international market forces beyond their control."

All these countries "exist in a fragile tropical environment which has been upset by the growing pressure of people. Without irrigation and water management, they are afflicted by droughts, floods, soil erosion and creeping deserts, which reduce the long-term fertility of the land. Disasters such as drought intensify the malnutrition and ill-health of the people, and endemic diseases undermine their vitality. Their poverty, harsh climate and isolation all make it harder to explore their resources, especially minerals. The sun, which might be a valuable source of cheap energy, is presently a curse, sapping their vigor while they are forced to use relatively expensive conventional forms of energy. They have to cut down their forests, degrading the environment, in order to survive."

The economies of these least-developed countries, as measured by their Gross Domestic Product (GDP), over a 19-year period have grown at an average annual rate of just 0.7% compared with 2.9% for what are called the developing countries as a group. And, education is not a resource. The literacy rate is 20% or less for those over 15.

Man-made disasters compound their troubles: Soviet invasion in Afghanistan, civil war and Libyan intervention in Chad, Idi Amin's heritage in Uganda, assassination in Bangladesh, war and revolt in Ethiopia and Somalia, coups, corruption and chaos.

"The situation grew worse in the 1970s when the price of food, fuel and manufactured imports needed for development increased sharply while the purchasing power of their export earnings, often derived from a narrow base of one or two commodities, remained stagnant or even declined," says a U.N. newsletter.

The poor 30 are not major consumers of energy—an annual average 53 kilograms of coal per capita compared, for example, with 6,362 kilograms in the industrialized West. But the prospect of climbing oil prices long term will make progress difficult.

Also, the world's charity-development aid, subsidized loans, grants and the like may be harder to come by in the future as the richer nations feel themselves squeezed.

Population pressure continues with average annual growth 3 to 4 times that in the industrialized nations.

The U.N. will hold a conference on the 30 poorest in September. It will be held in Paris, of course. ■

Basic indicators for least-developed countries

Country	Population (millions) 1979	GDP per capita 1978	GDP per capita annual average growth rates 1960-1979	% of labor force in agriculture 1979	Energy: Consumption per capita (kg. of coal equivalent) 1978	Health: Physicians per 100,000 population 1977[1]	Education: Secondary school enrollment ratio 1977[1]
Afghanistan	15.5	$241	0.7%[2]	78%	47	5.0	7%
Bangladesh	86.6	118	1.4	84	43	7.9	23
Benin	3.5	224	0.8	46	56	3.7	11
Bhutan	1.3	103	—	94	—	—	1
Botswana	0.8	632	3.6	81	—	9.6	20
Burundi	4.4	146	–1.6	84	12	2.0	3
Cape Verde	0.3	150[3]	–1.6	57	143	12.9	—
Central African Republic	2.0	248	–0.9	88	44	5.7	9
Chad	4.4	188	–1.4	84	22	2.4	3
Comoros	0.3	248	1.0	64	52	7.2	7
Democratic Yemen	1.8	316	–3.0[2]	59	523	12.6	28
Ethiopia	30.4	143	0.6	80	20	1.4	8
Gambia	0.6	244	1.1	78	107	7.4	12
Guinea	4.9	262	–0.3	81	91	6.5	14
Haiti	4.9	278	0.5	67	57	16.8	9
Lao People's Dem. Republic	3.6	83	0.1[3]	74	60	4.6	14
Lesotho	1.3	145	0.1	84	—	5.4	15
Malawi	5.8	175	2.9	84	52	2.1	1
Maldives	0.2	150[6]	—	—	—	6.4	—
Mali	6.5	131	–1.2	87	30	4.2	9
Nepal	13.7	119	0.3	93	11	2.8	14
Niger	5.2	220[6]	1.8	89	38	2.4	3
Rwanda	4.7	188	1.5	90	17	2.7	2
Samoa	0.2	520	—	60[5]	187	34.7	—
Somalia	3.5	130[6]	0.3	81	99	6.4	4
Sudan	17.9	320[6]	–0.1	77	172	11.5	16
Uganda	13.2	280[6]	–0.8	81	48	3.6	7
United Republic of Tanzania	18.0	263	2.9	82	65	6.5	3
Upper Volta	6.7	126	0.6	82	25	1.8	2
Yemen Arab Republic	5.8	447	1.9[2]	75	53	7.2	3
All least-developed countries	267.9	201	0.7	82	53	5.9	12
Socialist countries of Eastern Europe	375.7	(3,681)	5.4[4]	21	5,477	257.7	72
Developed market economy countries	780.5	7,922	3.4	9	6,362	159.5	86

[1] Or latest year available. [2] 1960–1978. [3] 1977. [4] Net material product. [5] 1976. [6] World Bank estimates of GNP per capita in 1978.

Source: UNCTAD secretariat based on data from the U.N. statistical office.

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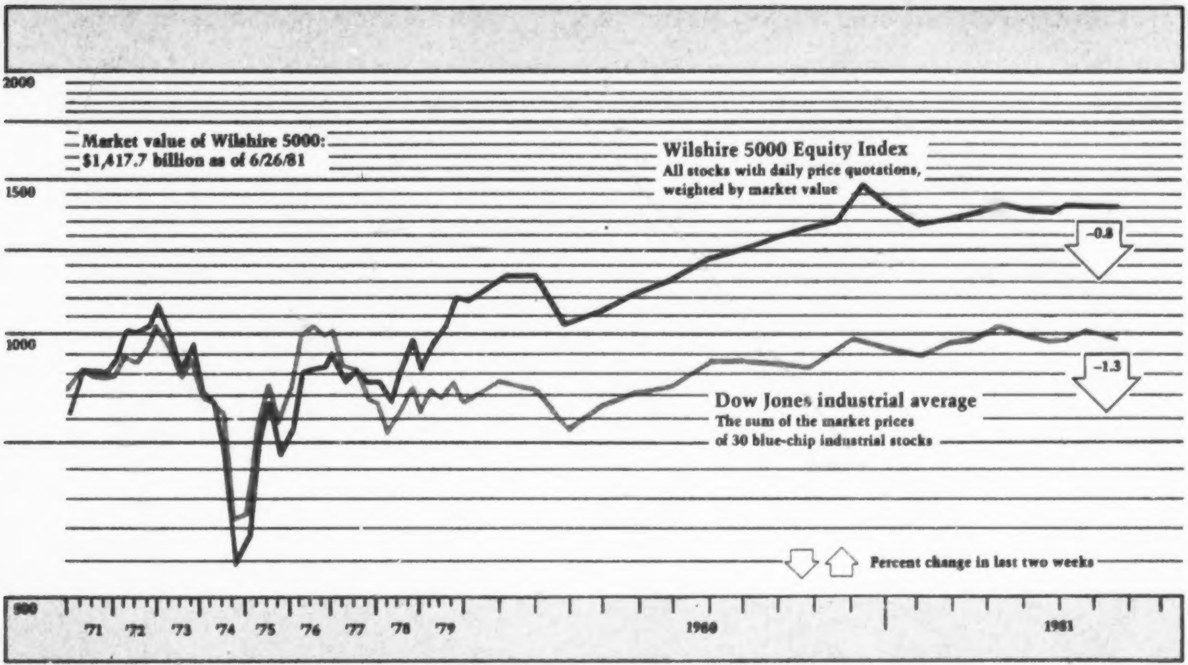
The Forbes/Wilshire 5000 Review



Wall Street is hitting turbulence. Some gains made in the late spring rally disappeared during the last two weeks. The Dow declined 1.3%, but this market indicator does not tell the whole story. The Wilshire Index fell in value by almost $19 billion dollars. However, that represents only a handful of Hunt fortunes, and the market is still capitalized at more than $1.4 trillion.

Investors are still waiting for proof of a decline in interest rates. They have been getting mixed signals in interest rates and energy. There had been euphoria over prospects for cheaper energy. Egypt, Norway, the U.K., Ecuador and Peru announced crude oil price reductions, but Mexico partially rescinded its cutback. Then came ominous rumors that Saudi Arabia might cut production.

Still, energy stocks, which had been out of favor, may look attractive again. The ASE, weighted with oils, was the only index to make it through the last two weeks with a gain. Over four weeks, the Dow showed a slight gain and the NYSE Composite broke even. Other indicators were down. The biggest decline came from NASDAQ stocks, which fell 1.7%.

FORBES' five key investor yardsticks show the pullback was most pronounced with speculative shares, those with high volatility and high multiples. But investors also shied away from low volatility and high yield issues. "Middle of the road" opportunities are back in style.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	−0.5	0.1	0.0	0.5	−1.7
in last 52 weeks	19.0	−12.6	16.0	27.6	38.1

Stock performance based on five key investor yardsticks

Percent change	Volatility *		P/E multiple		Dividend yield		Growth profile †		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	−0.9	3.0	−4.1	1.5	3.4	0.3	−0.7	2.7	−0.8	2.1
in last 52 weeks	64.8	16.7	56.0	30.6	9.7	57.4	56.9	25.8	24.6	61.4

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 6/26/81. Prepared by Wilshire Associates, Santa Monica, Calif.

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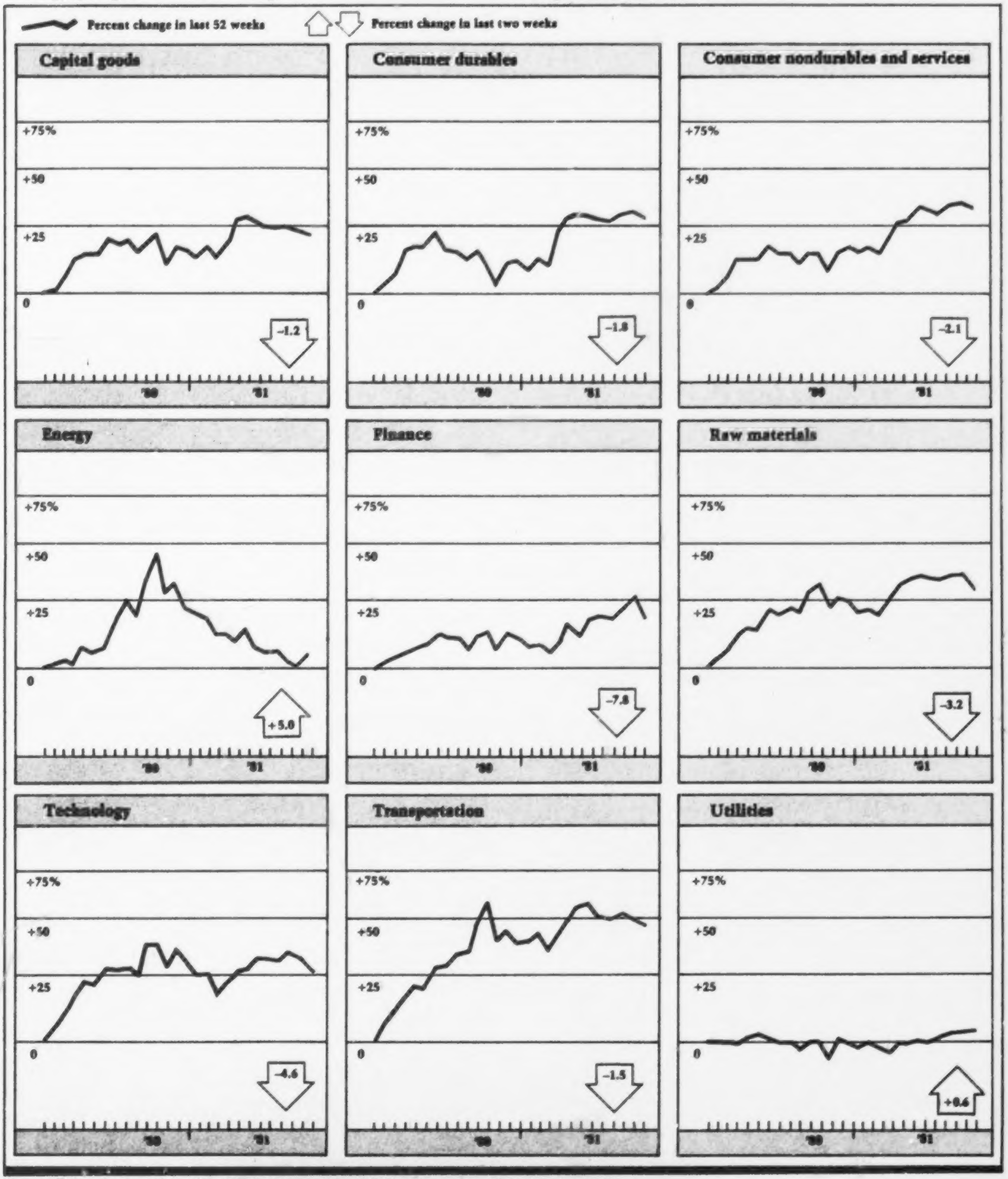
Where The Action Is

Time out for profit taking. Investors decided that the economy wasn't strong enough to push the market to even higher levels—so they cashed in on some of the gains racked up this past spring. Finance, for example, has been a strong sector for several weeks, but in the current period it dropped a hefty 7.8%. In contrast to the dismal performance of seven of the nine sectors, however, the energy group rebounded a sharp 5%.

Part of that gain stems from merger discussions involving two heavily capitalized NYSE stocks, Conoco and Cities Service, and the subsequent $73-per-share tender offer for Conoco by Seagram. Gains by the ASE energy stocks also helped to pump up the entire group. Utilities, too, managed to eke out a 0.6% gain. Still, the 52-week performance of both utility and energy stocks continues to lag the rest of the market.



Note: All data for periods ending 6/26/81. Prepared by Wilshire Associates, Santa Monica, Calif.

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Here's a recipe for finding discounted stocks with mouth-watering growth rates.

Statistical Spotlight

A dash of 20-10-10

By Steve Kichen

STEPHEN LEEB, editor of the *Investment Strategist* newsletter, prefers to have his cake and eat it too. Sure, Leeb likes to see plenty of growth in his stocks, but he doesn't want to pay a premium for it. "Most of the super highflyers have a price/earnings ratio about equal to their growth rate. "What in many cases is a more sensible strategy is to find stocks with sustainable high growth but selling at a discount," says Leeb.

To identify reasonably priced growth companies, Leeb looks for stocks that meet some very stiff criteria. To start, he wants earnings growth that has averaged at least 20% for the past five years. Then he requires consensus earnings estimates to show at least 10% growth for the next two years. Finally, a present P/E ratio of 10 or less.

Of the more than 1,000 stocks surveyed by Leeb, at the moment only 26 get through his strict 20-10-10 screen. Not surprisingly, Leeb suspects that at least 80% of them will outperform the market over the next 18 months. While the market's average stock presently sells for around 9 times earnings, Loews, for example, is priced at a little more than 5 times earnings. And if 1982 estimates are correct, the company is priced at less than 5 times future earnings.

How have 20-10-10 selections fared in the past? A group of like stocks chosen in May 1980 appreciated an average of 62%, while the Dow gained only 24% and the NYSE index 29%. If the stocks below rack up results similar to those of the 1980 list, we will return with a follow-up report.

Just add money, buy—and cross your fingers

The table below lists 26 stocks with an average five-year earnings growth rate of 20% or better, a projected two-year future growth rate of at least 10% and a price/earnings ratio of 10 or less. As an added bonus almost a third of these shares sell at close to book value.

Company[1]/principal business	Recent price	5-year growth rate	Estimated 2-year growth rate	Latest 12-month earnings per share	Price/earnings ratio latest 12 months	Price/earnings ratio estimated 1982 earnings	Indicated yield	Book value per share
Albany International/machinery	32½	32%	14%	$3.52	9.2	6.5	3.7%	$27.02
Ames Department Stores/retail	31¾	22	20	3.65	8.7	6.1	1.9	22.60
Bairnco[2]/building	13⅝	33	15	2.34	5.8	5.0	2.9	7.81
Bangor Punta/aerospace	25⅝	24	20	4.02	6.4	5.1	3.1	17.31
Barnes Group/auto parts	23⅝	23	14	3.18	7.4	4.9	4.2	18.54
Brown Group/footwear, mfg and retail	41⅜	22	10	6.36	6.5	5.5	5.1	41.43
Control Data/computer equipment	73¾	36	12	8.49	8.7	6.7	1.2	76.69
Crum & Forster/insurance	35⅞	41	11	5.79	6.2	5.4	4.0	30.44
Golden West Financial/bank holding	11⅝	22	26	1.81	6.4	3.9	3.3	10.25
Guardian Industries/glass mfg	17⅞	24	20	1.95	9.2	6.6	1.8	8.23
Honeywell/computer equipment	85	24	10	12.83	6.6	5.9	3.5	79.51
INA Corp/insurance holding	46½	33	10	7.15	6.5	5.5	5.2	44.48
Interpublic Group/advertising	35⅛	20	20	4.27	8.2	5.2	4.6	24.45
Lear Siegler/aerospace	37⅝	23	16	4.45	8.5	6.4	3.7	18.00
Loews/multicompany	106⅜	33	14	20.55	5.2	4.8	1.1	82.91
RH Macy/retail	64	21	13	7.08	9.0	7.9	2.7	37.41
Martin Marietta/aerospace	68⅞	25	11	7.75	8.9	7.3	3.7	41.79
Mission Insurance Group/insur holding	46¼	50	18	5.32	8.7	6.0	2.2	21.29
NCR/office equipment	62⅞	31	10	9.57	6.6	5.4	3.5	58.83
Oneida/metal fabricating	26¼	49	15	3.28	8.0	6.3	2.4	12.99
Palm Beach/apparel	26⅜	25	31	3.94	6.7	4.3	4.5	17.22
SPS Technologies/fasteners	33¼	50	16	4.70	7.1	5.2	2.2	22.12
LS Starrett/machine tools	32½	24	16	3.71	8.8	7.3	2.7	16.57
United Energy Resources/natural gas	42¼	25	12	6.78	6.2	5.3	4.5	25.96
US Home/building	27⅞	40	15	3.20	8.7	6.2	2.6	16.11
Walgreen/drugstores	51½	29	18	5.52	9.3	6.6	3.4	29.78

[1] All companies listed on the New York Stock Exchange. [2] Formerly Keene Corp.

Source: Investment Strategist.

NOTE

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Cover 1, p. 4-5, 26, 84,

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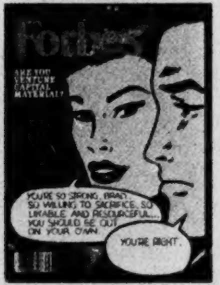
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***60** Cover Story: The Right Stuff is the essence of entrepreneurs as well as of astronauts. How do venture capitalists spot it?*

***32** Air fare discounters: "It's like pot; it's illegal but no one gets busted."*

***42** Racehorse Haynes: "I prepare every case like a sovereign was trying to kill my client."*

31 Gold:
A Time To Buy, A Time To Sell
Is this the time to buy? Definitely not, says one commercial banker who acts more like a street-smart gold trader. In fact, he says, the conditions that caused the phenomenal rise in the price of gold in late 1979 and early 1980 may never come again.

32 Airlines:
Bucket Shops Of The Air
Europe's hectic airline ticket discount outlets are technically illegal. But last year alone this form of de facto deregulation cut around $2 billion off official international air fares.

34 Airlines:
What's Freddie Laker Up To Now?
Four years ago, his Skytrain service shook the temple of cartel-set air fares. Sir Freddie's latest idea may bring down the walls altogether.

35 Companies:
First National Bank Of Boston
Few people realize it, says one analyst, "but that bank has been a swinger for the past 50 years." It's also become a moneymaker by lending to customers the Cabots and the Lowells would never speak to.

36 Oil:
Who's Ahead In Enhanced Recovery?
The technology of squeezing the last precious drop of oil from the ground promises a basic reshaping of the U.S. oil industry.

38 Mergers:
The Battle For Conoco
Long before the dust settles, there are already some sure winners.

42 Profiles:
Richard (Racehorse) Haynes
In 25 years at the bar, he has become one of a select group of legendary trial lawyers. In his investments, he has built a net worth of $15 million the same way he picks a jury.

48 Companies:
Great Atlantic & Pacific Tea Co.
Did the rich uncle from Germany get taken? If you think that, you don't know much about the rich uncle.

50 The Up-And-Comers:
Docutel Corp.
"I created the damn industry and I very nearly destroyed it for us," says Jack Meredith. He also learned a classic business lesson. Indeed, what happened to Meredith's Docutel could happen to any fast-growing entrepreneurial company.

54 The Up-And-Comers:
Nutri/System
Harold Katz has a flair for the dramatic—like laying out $12 million of his own money for the Philadelphia 76ers. He also has a keen perception of the marketing uses of human vanity.

56 Companies:
Commercial Alliance
Venture capital money can flow into the most mundane of fields. Consider the Palitz brothers and their hot little leasing company.

60 Cover Story:
Do You Have The Stuff?
Most of us drift through life with Walter Mitty dreams, half believing that one day we will come up with a monumental invention, start a dynamic company or write a bestseller. Most of us, alas, will never do it. Yet it happens every day. All it takes is uncommon courage, enormous self-confidence and an extraordinary will to win.

64 Venture Capital:
Sidney Wachtel
Wachtel & Co. has had a long string of successes, but its founder still pinches every penny and expects the entrepreneurs he backs to do the same. Says he: "We like to make them sweat."

66 Taxing Matters:
Tuition Tax Credits
Albert Shanker doesn't like it. Congress would like to sweep it under the rug. But a lot of voters love it, and that's why it just won't go away.

67 Companies:
Richardson-Vicks Inc.
Shorn of its Merrell prescription drug division, it's a good deal smaller these days, as well as a good deal more profitable and considerably more tranquil.

48 *A&P: While James Wood is busy catching up, says a competitor, "everybody else is still moving ahead."*

67 *Richardson-Vicks: Testing an old adage about fat men and thin men.*

98 *The Money Men: "Cash has no value."*

Faces Behind The Figures

71 Harold Goldstein,
Promoter
71 George Warde,
Continental Air Lines
71 Bruce Sundlun,
Outlet Co.
72 James Calvano,
Avis
72 Andrew Racz,
Racz International
73 Robert W. Scherer,
Georgia Power Co.
74 Kenneth L. Smith,
Department of the Interior
74 Dorothy Berry,
Arnold Bernhard & Co.

83 Government:
Ray Thorne And The Undeserving Poor
Can you cut government social spending without hurting the truly needy? Oregon's employment division administrator has proven that you most definitely can.

84 Personal Affairs
Moving to meet the Japanese challenge, Detroit's Big Three are now turning out cars that can hold their own in cost, mileage, power and luggage capacity against the offshore competition. Also: how to find rich uncles and good neighbor SAMs, and the art of buying art.

94 Statistical Spotlight:
When The Prime Comes Down
When it does, it will probably set off a stock market rally with interest-rate sensitive issues at the front of the pack. FORBES picked the brains of several leading analysts and came up with 37 issues likely to be among the leaders.

98 The Money Men:
Robert Van Kampen
Even at Monopoly, he plays for blood. In business, he found a niche in a crowded market and built a fortune.

100 The Streetwalker:
Sears' Supply-Siders
Since January the stock prices of Sears, Roebuck's six biggest suppliers have risen a collective 42%.

Money And Investments

25
What's Ahead For Business?
26
The Forbes Index
91
The Forbes/ Wilshire 5000 Review

Columnists

102
Ben Weberman
103
Heinz H. Biel
104
David Dreman
106
Stanley W. Angrist
107
Srully Blotnick
108
Ann C. Brown
109
Ashby Bladen
110
John Train

Departments

6
Side Lines
8
Trends
12
Follow-Through
16
Readers Say
19
Fact and Comment
[illegible]
Other Comments
[illegible]
Editorial Index
[illegible]
Flashbacks
116
Thoughts

Photos:
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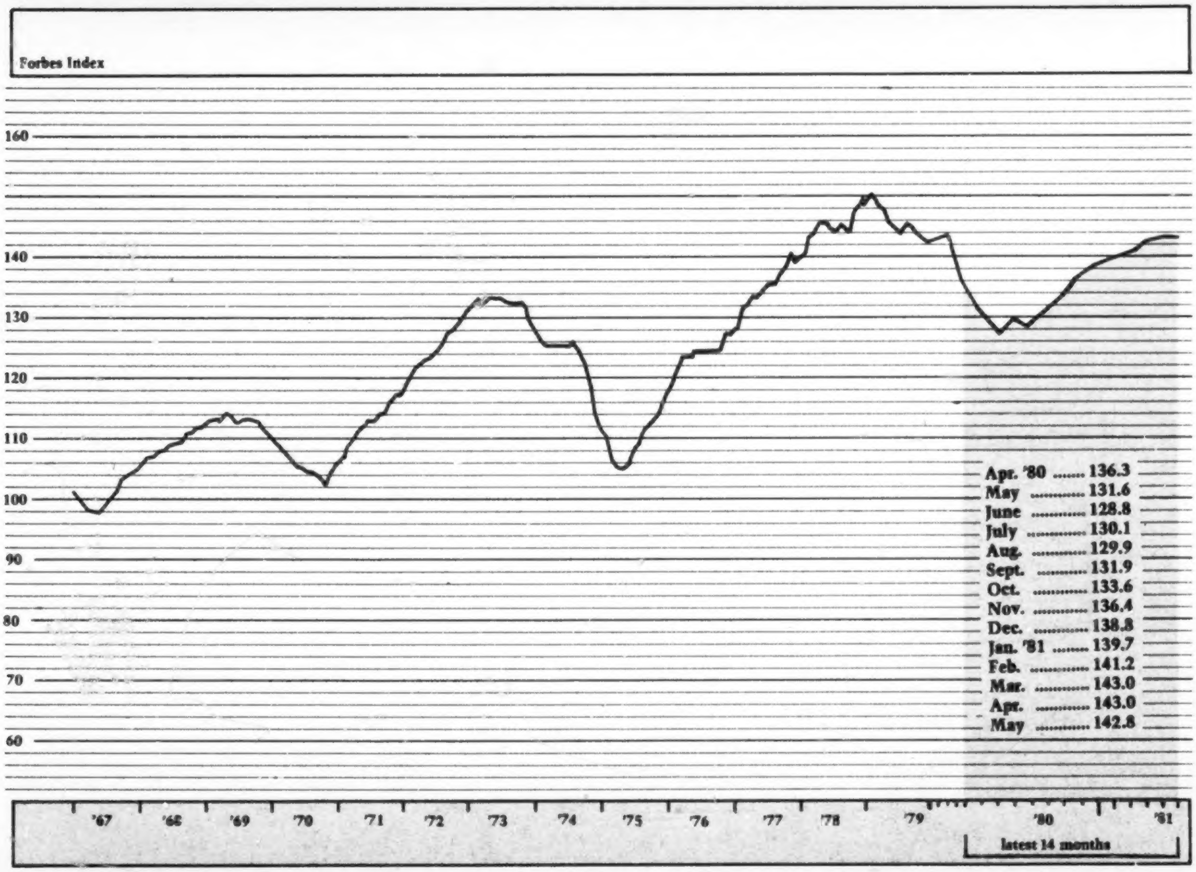
The Forbes Index



The Forbes Index Components

The Index inches downward. The Forbes Index is falling—for the first time in nine months. Declines hit several key components, including new housing starts and the ratio of new orders for durable goods to manufacturers' inventories. Consumer debt also declined by nearly 2% since February. That slows the economy now, but it provides a margin for stepped-up borrowing when the economy rebounds in the future.

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

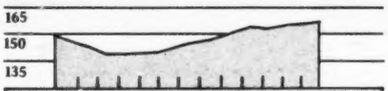
Total retail sales

New housing starts

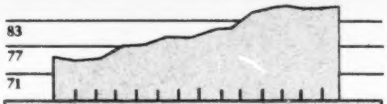
Personal income

The change in the amount of consumer installment debt outstanding

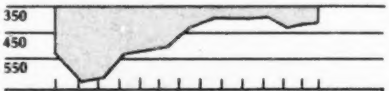
To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



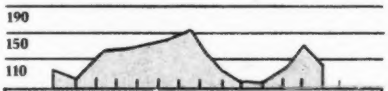
Industrial production index (1967=100)
seasonally adjusted (Federal Reserve)



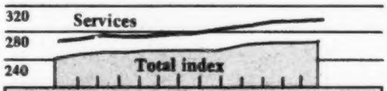
Retail store sales ($billions)
seasonally adjusted (Dept. of Commerce)



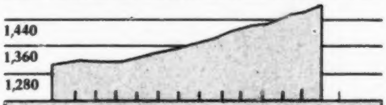
Unemployment claims (thousands)
seasonally adjusted (Dept. of Labor)



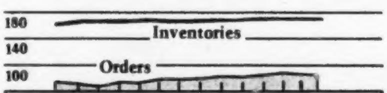
New housing starts (thousands)
privately owned, unadjusted (Dept. of Commerce)



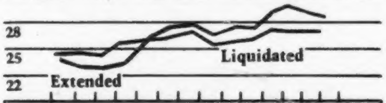
Consumer price indexes (1967=100)
all urban consumers, unadjusted (Dept. of Labor)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions)
total, seasonally adjusted (Federal Reserve)

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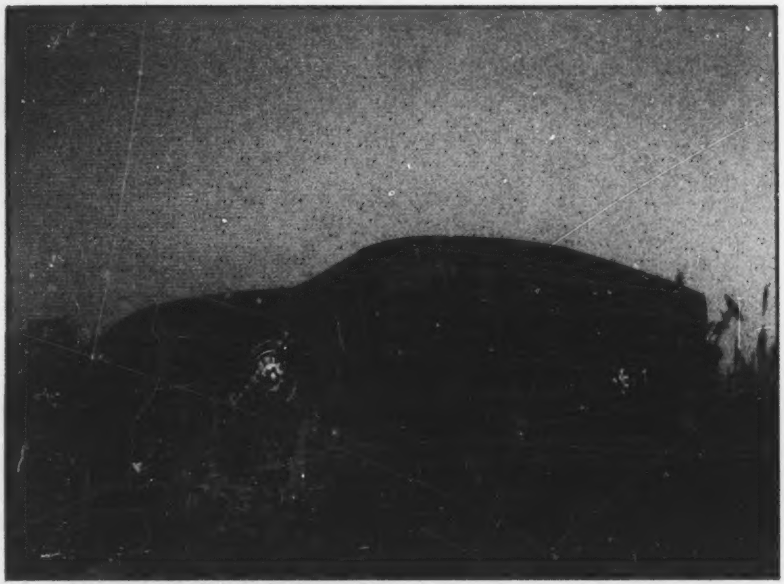
Personal Affairs

Edited By William G. Flanagan



Chevrolet's new front-wheel-drive Cavalier
Cheaper to run than Honda's Accord.

Alphabet cars

Can it be true? Has Detroit finally met the Japanese challenge? You bet your hubcaps it has.

Right now, the big three auto manufacturers are actually making nifty four-cylinder cars that can hold their own in cost, mileage, size, power and luggage capacity against the offshore competition. (As for styling and reliability, you will have to be the judge on the former; time will tell on the latter.)

The new T, J, A and K cars are certainly worth a look if you are in the market for a small car this fall.

This year alone, Detroit is introducing seven brand-new models designed to hit the imports head on. Chevrolet has already unveiled its 1981-82 Cavalier, Pontiac its T1000 and J2000, and Cadillac its Cimmaron. Chrysler's new Super Ks and GM's Celebrity and A6000 will roll onto the market near the end of the year.

Yet even as these cars are being introduced, Runzheimer and Co., of Rochester, Wis., has already worked up figures on how much they will cost to own and operate *(see table)*. Runzheimer, consultants in travel and living costs, provides detailed cost information on autos and trucks to fleet owners.

The annual cost of owning and operating the new American cars compares very well with the hottest-selling Japanese models. Note: The figures cited presume you drive 20,000 miles per year and turn the car in after three years or 60,000 miles. It's also assumed that you get the car at a rock-bottom, fleet-owner price—which you won't. But the cost comparisons are still valid. (In general, fleet owners buying in volume pay about $600 to $800 less than the average individual buyer.)

The new four-cylinder Cadillac Cimmaron
The insolent chariot learns humility.

The Chevette, already a popular seller, will still be the least expensive GM product to own and operate, and offers more head room, luggage capacity and almost as much legroom as the new Chevy Celebrity—and will cost about $1,000 less per year to operate. But the front-wheel drive and larger engine on the Celebrity and its longer length are likely to win buyer attention. The Chevy Cavalier, also new this year, likewise has front-wheel drive, but a smaller engine than the Celebrity. The Cavalier will also cost about $160 more per year to run than the Chevette.

The new rear-wheel-drive Pontiac T1000 is a virtual twin of the Chevette in all but styling, but the front-wheel-drive J2000, also new this year, is heavier, longer and has a bigger engine—for a net cost of about $400 more a year.

Ford's letterless Escort is the least expensive American front-wheel-drive car, yet its seating and luggage space are comparable to those of the slightly more expensive, brand new Pontiac J2000.

The top-of-the-line four-cylinder Pontiac is the A6000, which won't be introduced until November. Its specifications are only slightly different from those of the Chevy Citation, also due that month, but it will cost about $500 more per year.

The popular Dodge Aries K has a new cousin, the Super K, a longer,

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Personal Affairs

slightly spunkier model, which will cost about $550 more a year to own. The Aries K, together with the Omni and the Horizon, have been selling extremely well. This year's Runzheimer survey did not include the Omni and Horizon, but they showed up extremely well last year in the cost comparison.

Not surprisingly, the most expensive of Detroit's four-cylinder models is the Cadillac Cimmaron, at $5,541 per year to operate. Take a look at the specs—it hardly differs from the much cheaper Chevette and has a lot less luggage capacity. But, small as it is, Cadillac is its name and that's what you will pay for.

What it will cost for 1982 cars

Make	Model	Door	Specifications[1] Front seat head room (inches)	Specifications[1] Front seat leg room (inches)*	Specifications[1] luggage capacity (cu ft)	Specifications[1] weight (lbs)	Specifications[1] overall length (inches)	Specifications[1] drive unit	4-cyl engine[1] displacement (ltrs)	Av mpg	Annual cost for 20,000 miles[2] variable	Annual cost for 20,000 miles[2] fixed	Annual cost for 20,000 miles[2] total
Chevrolet	Chevette	4	38.3	41.6	29.8	2,122	164.9	rear	1.6	30.0	$1,500	$2,459	$3,959
Pontiac	T1000[3]	4	38.3	41.6	29.8	2,150	164.9	rear	1.6	30.0	1,500	2,512	4,012
Ford	Escort	4	38.0	41.5	16.3	2,122	165.0	front	1.6	30.5	1,490	2,590	4,080
Chevrolet	Cavalier[3]	4	37.8	42.1	16.8	2,416	169.4	front	1.8	31.0	1,470	2,656	4,126
Dodge	Aries K	4	38.8	42.6	15.0	2,338	176.0	front	2.2	28.0	1,590	2,702	4,292
Pontiac	J2000[3]	4	37.8	42.1	16.8	2,420	169.4	front	1.8	31.0	1,470	2,882	4,352
Chevrolet	Citation	4	38.1	42.2	21.4	2,508	176.7	front	2.5	25.5	1,720	2,775	4,495
Chrysler	Super K[3]	4	38.9	42.8	16.0	2,368	181.2	front	2.6	27.5	1,630	3,224	4,854
Chevrolet	Celebrity[3]	4	38.1	42.5	20.0	2,800	188.7	front	2.5	26.0	1,700	3,265	4,965
Pontiac	A6000[3]	4	38.1	42.5	20.0	2,800	188.7	front	2.5	26.0	1,700	3,303	5,003
Cadillac	Cimarron[3]	4	37.8	42.1	16.8	2,591	169.4	front	1.8	31.0	1,480	4,061	5,541
Datsun	210 Deluxe	4	36.3	43.6	8.0	2,015	165.0	rear	1.5	32.0	1,430	2,531	3,961
Toyota	Corolla Deluxe	4	37.7	40.7	11.0	2,240	166.3	rear	1.6	30.0	1,510	2,567	4,077
Subaru	DL	SW	38.2	39.3	12.0	2,185	170.0	front	1.8	23.0	1,870	2,466	4,336
Honda	Accord	4	38.0	40.0	10.0	2,249	171.9	front	1.8	26.0	1,690	2,680	4,370

[1] All cars similarly equipped including AT, PS, PB, AC and tinted glass, except Honda (no PB), Datsun (no PS) and Subaru (no PS). [2] Costs include variable expenses (gas at $1.75 per gallon, oil, tires and maintenance), fixed expenses (insurance, depreciation, interest and license), and are based on a 3-year/60,000-mile retention cycle. [3] New Entry.

Source: Runzheimer & Co.

Halfway houses

With mortgage interest rates higher than at almost any time in U.S. history, there have been very few home financing wrinkles left unexplored. The latest is, perhaps, the simplest. Briefly put, it amounts to borrowing against a percentage of the appreciation when the house is sold.

In its most structured form there is the shared appreciation mortgage, or SAM. The SAM, you will recall, is a mortgage arrangement wherein a conventional lender such as a savings and loan gives the home buyer a big break on the interest rate—in return for partial ownership. For instance, the borrower gets one-third off the going mortgage rate—down to, say, 12% these days. In return the lender is entitled to one-third of the appreciation on the house when the buyer sells. The ploy has its drawbacks.

There's a big assumption there, of course—that there will be appreciation. If there is a loss instead, the investor takes a bath and doesn't even have the satisfaction of having a roof over his head. A lesser problem: how to account for an owner's "sweat equity" home improvements.

Nevertheless, when first introduced in Florida last year (FORBES, *Oct. 13 1980*), the SAMs were snatched up like stone crabs. Especially drawn were first-time home buyers who had saved enough for a down payment, only to watch monthly mortgage payments drift out of their income range as interest rates ballooned.

Jerome Grossman, a partner with Oppenheimer and Co., is pushing the concept. He has been trying to get institutional investors, such as pension funds, to buy SAMs from originating lending institutions. Other major Wall Street firms are preparing to leap in—if all goes well, and if interest rates drop.

Grossman recognizes a problem for institutional buyers of these SAMs: "It's a consumer issue. The institution asks, 'Do I really want to be involved with the American homeowner?' "

Unless and until there is a secondary market for SAMs, they will continue to be relatively rare, despite the fact that would-be home buyers and builders are so eager for them.

Meanwhile, builders are taking direct action. One builder, Don Dixon of the Dondi Group in Dallas, has started a Rich Uncle program to sell his condominiums. As the name suggests, Dondi Group matches strapped buyers with willing investors.

The Rich Uncle becomes a copurchaser of the condominium and cosigns a mortgage with the home buyer who plans to live there. The investor matches the down payment, monthly payments for principal, interest, mortgage insurance, taxes and any closing costs or other fees. In return, he can expect one half of the appreciation in market value of the condominium when it is either sold or up for refinancing (which is every three years in Dondi's scheme).

The tenant actually pays more than half of the condo's cost—since he is actually living in the unit. He pays the Rich Uncle "rent" for using his half of the condo. If the monthly payments for interest, principal, taxes and so forth come to, say, $1,000, each owner pays an even $500. But the tenant pays another $150 to the uncle for rent. But both the uncle and the owner-occupant claim equal deductions from the monthly payments.

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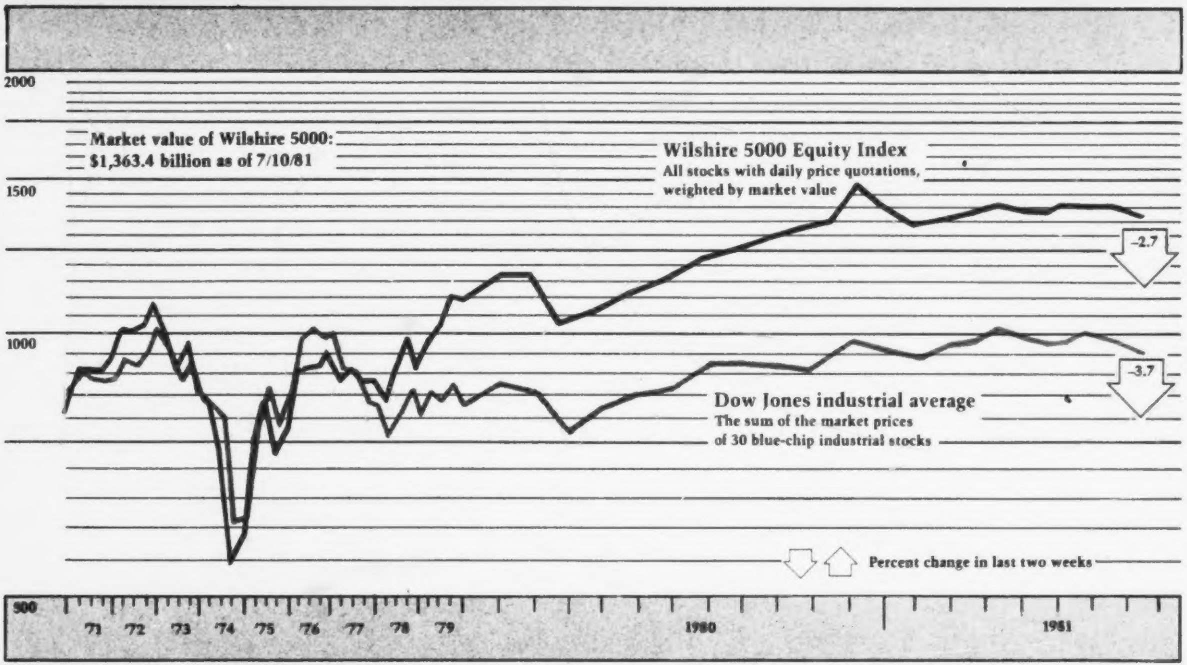
The Forbes/Wilshire 5000 Review



Where have all the good times gone? For most investors, checking stock prices in the newspaper is now solemn reading. The only happy shareholders are those who owned energy companies caught up in merger mania. Over the past two weeks the Wilshire Index fell 2.7%; in four weeks, 3.4%. Beyond that, the numbers tell us that the market lost over $73 billion in value in just a month's time. The smaller, more speculative companies were hit hardest: the NASDAQ Composite, down a hefty 4.2% in two weeks, and the ASE Index, close behind with a 4.0% decline.

It was only in June that the market seemed on the verge of great and wondrous things. What happened? Interest rates were the biggest culprit. Instead of tailing off as many had expected, the prime continued to notch upward. Wall Street also lost stability as the overall economic recovery appeared to falter. The auto industry, for example, now seems headed back into a slump.

The midsummer slump has significantly cut into the 52-week gains of all market indicators. But the downturn has dropped many stocks to much more reasonable multiples and opportunities are opening up for the bargain hunters. The emergence of a new crop of undervalued securities will help the market regain control. The smaller-sized, high P/E stocks took the greatest beating in the recent decline. Watch for these stocks to show the greatest gains when the market starts heating up again.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	-3.4	-5.0	-3.2	-1.2	-5.5
in last 52 weeks	13.7	7.2	11.4	18.6	27.7

Stock performance based on five key investor yardsticks

Percent change	Volatility*		P/E multiple		Dividend yield		Growth profile†		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	-6.0	-0.7	-6.1	-3.0	-1.1	-4.0	-4.8	-2.1	-3.8	-3.6
in last 52 weeks	49.3	13.6	43.2	24.1	6.7	45.9	43.8	20.1	18.4	49.5

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 7/10/81. Prepared by Wilshire Associates, Santa Monica, Calif.

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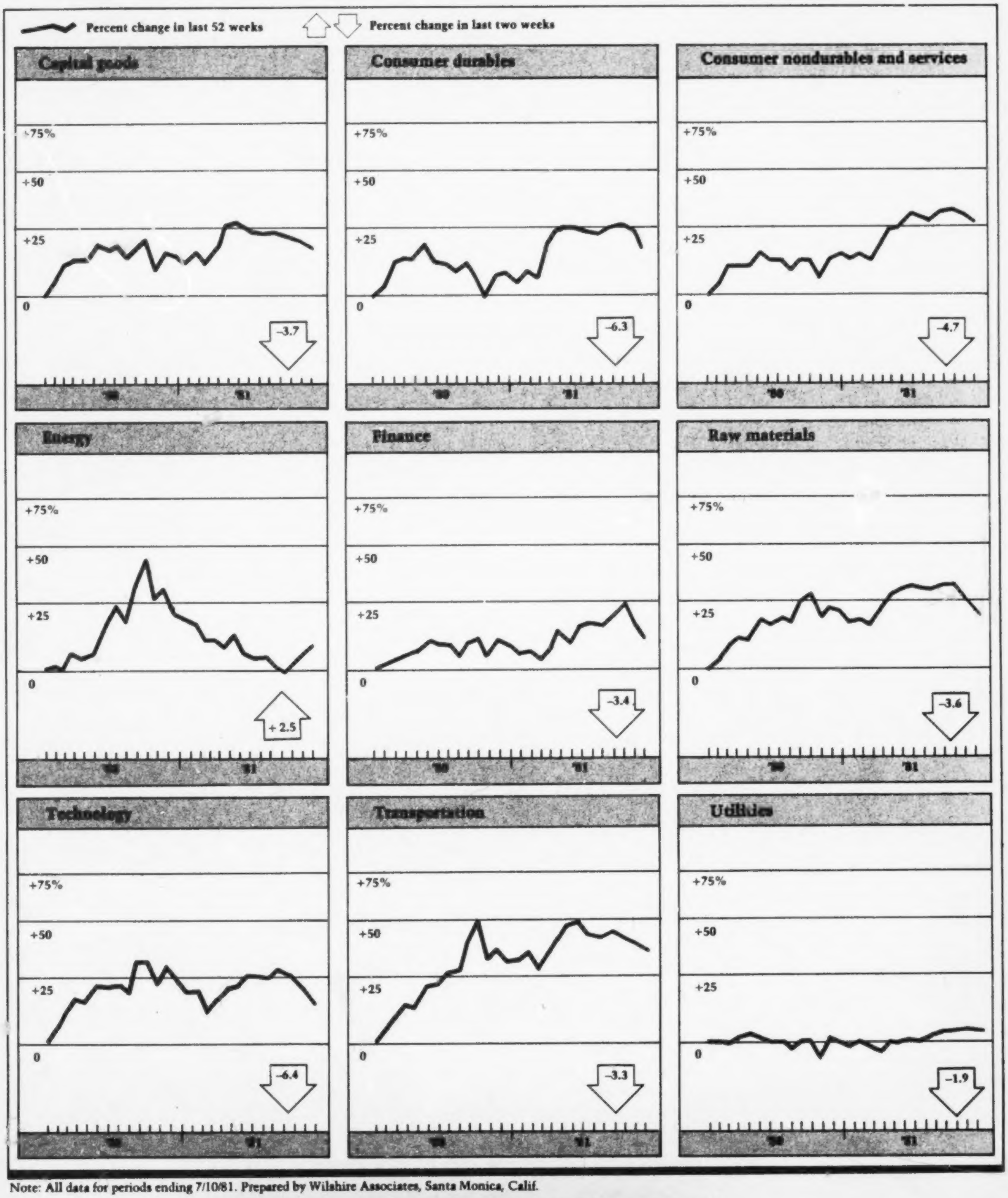
Where The Action Is

A bear market—with an exception. Energy was the only sector to move ahead during the most recent two-week and four-week periods. The heated high-stakes bidding war for Conoco generated appeal for the group—and stopped, at least temporarily, a significant dive that began in the fall of 1980. Even with their recent gains, however, energy stocks are ahead by a mere 6.6% for the last year.

The biggest two-week drops came from technology, consumer durables and consumer nondurables. The slow but steady backing away from more volatile, high-P/E growth stocks has affected technology more than other sectors. Durables and nondurables, meanwhile, were hurt by expectations for flat second and third quarters. Finance stocks, which posted the steepest four-week decline, seem to be over their case of merger fever; now the group can go back to dealing with interest-rate indigestion.



Note: All data for periods ending 7/10/81. Prepared by Wilshire Associates, Santa Monica, Calif.

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Someday the cost of money really will fall. When it does happen, which stocks are most likely to lead the stock market's rally?

Rating the interest plays

Statistical Spotlight

By Steve Kichen and Paul Bornstein

TODAY WALL STREET wallows every time the prime interest rate wiggles. Friday afternoons, when the Federal Reserve releases its money supply figures, make or break many a money man's weekend. Professional investors were talking about lower interest rates even before Ronald Reagan took office. But talk is cheap: Interest levels are still moving upward. Nevertheless, recent hikes in the prime by several major banks may mark a peak.

A drop in the cost of money typically sets off a stock market rally, with interest-rate-sensitive securities at the front of the pack. Where should you be when the prime rate comes down? FORBES picked the brains of several leading analysts for thoughts on those stocks most likely to be leaders in a rally kicked off by declining interest rates. Banks, insurance companies and utilities are among their favorites. Such big borrowers as airlines and conglomerates also rated an honorable mention.

Oil stocks, perceived by many investors as hedges against inflation, may fall still further if rates decline, because of the disinflation attitude that has struck Wall Street. Savings and loan shares, on the other hand, look good technically to at least one analyst. However, the fundamentals of this industry are precarious, so S&Ls don't appear in our tables.

Banks benefit from lower interest rates because there is a wider spread between their cost of funds and interest income on outstanding loans. According to Arthur Soter of Morgan Stanley, "Citicorp ought to be one of the biggest beneficiaries among the banks' stocks." Still, most of the banks in the following tables have performed well over the last 52 weeks, so some of their interest-rate surge may already have been discounted to a certain extent.

As for insurance companies, Robert Colby of Smith Barney thinks Travelers, as well as INA and Aetna, are good technical interest-rate plays. Yet Colby warns, "The fundamentals of the industry aren't what they should be. We're not recommending insurance companies on a fundamental basis right now." Lower rates, however, will increase the value of fixed income portfolios held by insurance companies.

The dividend yields of telephone and electric utilities are more competitive when interest rates are lower. A decline in rates also means that these capital-intensive companies pay

Betting on cheap money

Banks

If money costs tumble, analysts expect the banks listed below to be at the forefront of a market rally. Lower interest rates will make it cheaper for them to acquire funds.

Company	Recent price	52-week price range	—Earnings per share— 1980	latest 12 months	Latest 12-month P/E ratio	—Indicated— dividend	yield	% earned on net worth 1980	Book value per share
BankAmerica	24	30¾–22⅞	$ 4.38	$ 4.20	5.7	$1.52	6.3%	18.6%	$26.55
Chase Manhattan	51¾	58¼–38¼	10.15	9.55	5.4	3.10	6.0	16.1	70.25
Chemical NY	54⅛	63 –38¼	11.05	12.51	4.3	3.84	7.1	15.5	77.89
Citicorp	25⅜	30⅝–18⅞	4.02	4.13	6.1	1.56	6.1	13.8	31.73
Continental Illinois	39¼	42¾–27¼	5.75	6.04	6.5	1.80	4.6	16.5	38.77
First Interstate Bancorp*	39¾	44⅞–27⅞	5.70	5.82	6.8	2.04	5.1	17.2	37.24
Irving Bank	50¾	55½–37⅜	9.70	10.49	4.8	3.04	6.0	16.8	64.63
JP Morgan	56⅛	63⅞–41¾	8.33	8.54	6.6	3.10	5.5	16.5	56.37
Security Pacific	39½	43½–28	6.55	6.91	5.7	2.20	5.6	17.4	42.26
Wells Fargo	32⅛	36⅛–23	5.33	5.69	5.6	1.92	6.0	14.6	39.93

*Formerly Western Bancorporation.

Statistical Spotlight

less to borrow money. Which electric utilities should you buy? Evan Silverstein of E.F. Rothschild, Unterberg, Towbin feels that "lower-tier utilities are likely to have a stronger move than higher-quality companies because they rely on the financial markets to the largest degree. What's more, the higher-quality companies have shown better performance in the recent rallies. That leaves room for the second-tier companies to move."

Yet many money market sages—including Salomon Brothers' influential economist Henry Kaufman—firmly predict that interest rates are still headed upward. If you hold a contrary view, one or more of the stocks listed here might meet your investment objectives. As an added plus, many of these issues offer relatively handsome current yields that you can "lock in" by buying now. But if instinct—or whatever system you use to evaluate the market—tells you that rates have yet to peak, then you may as well hold off. Remember, interest sensitivity works both ways. If rates really are headed higher, these stocks will be even cheaper some time in the future.

Betting on cheap money

Insurance companies

On a fundamental basis some of these underwriters don't get high ratings. But their shares offer speculative appeal if interest rates drop.

Company	Recent price	52-week price range	—Earnings per share— 1980	latest 12 months	Latest 12-month P/E ratio	—Indicated— dividend	yield	% earned on net worth 1980	Book value per share
Aetna Life & Casualty	38¾	44 –30	$6.30	$5.98	6.5	$2.32	6.0%	17.7%	$40.43
American International Group	56½	63¼–42⅝	4.99	5.36	10.5	0.40	0.7	22.6	28.06
Capital Holding	21⅝	24¾–16	3.20	3.16	6.8	1.20	5.5	14.0	24.68
Connecticut General	48¼	57½–37⅞	7.66	7.73	6.2	1.76	3.6	16.6	54.06
Continental Corp	28	31⅞–21⅞	3.74	3.71	7.5	2.40	8.6	10.5	41.39
General Re Corp	76⅝	83 –45⅝	7.08	7.36	10.4	1.76	2.3	23.0	38.82
INA Corp	43⅜	50¾–33⅞	7.11	7.15	6.1	2.40	5.5	18.1	46.04
Mission Insurance Group	46¼	49¼–32½	5.11	5.32	8.7	1.00	2.2	31.9	21.31
St Paul Cos	46⅜	51 –34⅞	5.27	5.61	8.3	2.32	5.0	11.8	49.76
Travelers	46⅞	54 –35¼	8.63	8.58	5.5	2.88	6.1	15.8	62.16

Electric utilities

The high dividend yields of these utilities will look even more attractive if interest rates come down. All of these companies now sell for less than book value.

Company	Recent price	52-week price range	—Earnings per share— 1980	latest 12 months	Latest 12-month P/E ratio	—Indicated— dividend	yield	% earned on net worth 1980	Book value per share
American Electric Power	16⅞	19⅝–15⅜	$2.41	$2.28	7.4	$2.26	13.4%	11.4%	$20.86
Cincinnati G&E	15⅞	19⅛–14	2.25	2.42	6.6	2.10	13.2	11.0	19.96
Commonwealth Edison	20	22⅛–16¼	2.97	2.91	6.9	2.60	13.0	10.3	27.02
Consolidated Edison	28⅝	30½–21⅛	4.67	4.66	6.1	2.96	10.3	10.9	45.11
Duke Power	19⅛	20⅛–15½	3.08	3.08	6.2	2.04	10.7	14.0	22.77
Middle South Utilities	12¼	14 –10⅝	2.01	2.06	5.9	1.62	13.2	10.8	17.75
Pacific G&E	21¼	24¾–19⅝	3.60	3.48	6.1	2.72	12.8	12.1	30.05
Public Service E&G	18	21 –16	3.13	3.30	5.5	2.44	13.6	12.1	26.99
Southern Calif Edison	24¾	28 –22⅞	3.50	3.54	7.0	2.96	12.0	10.2	33.09
TECO Energy	19¼	22¾–16⅛	3.12	3.37	5.7	1.72	8.9	17.4	19.55

Other interest plays

Some professionals think shares in these companies—other big borrowers—will be among the leaders of a rally that should begin if interest rates fall.

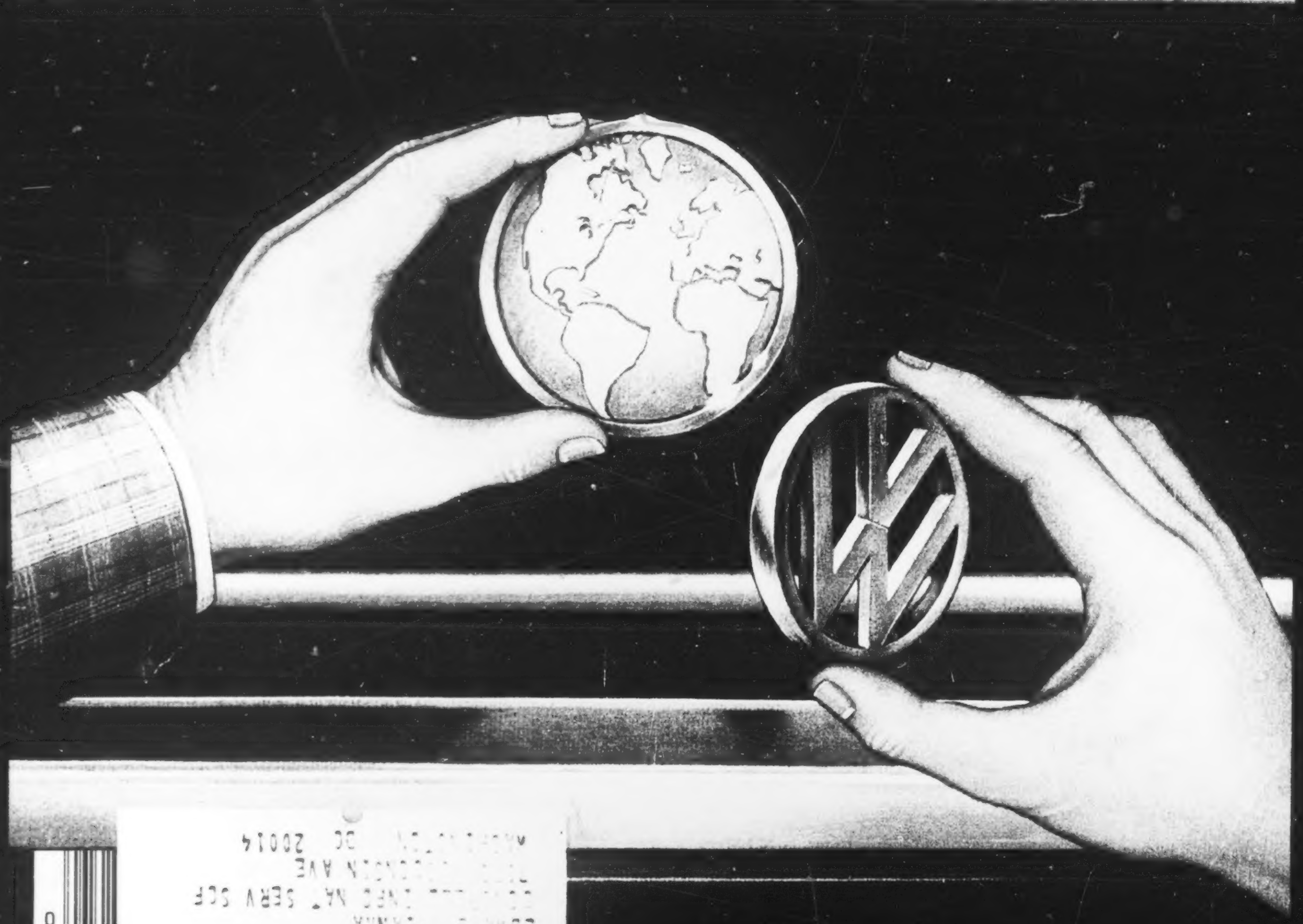
Company	Recent price	52-week price range	—Earnings per share— 1980	latest 12 months	Latest 12-month P/E ratio	—Indicated— dividend	yield	% earned on net worth 1980	Book value per share
American Express†	46	54⅜–31⅝	$5.27	$5.32	8.6	$2.00	4.3%	20.6%	$30.52
American Tel & Tel	55¼	58¾–45	8.19	8.28	6.7	5.40	9.8	13.0	65.32
Beneficial Corp	22¼	25⅜–18¼	3.45	3.17	7.0	2.00	9.0	9.8	36.54
General Tel & Elec	28¾	32 –24½	2.94	3.55	8.1	2.72	9.5	10.1	29.72
Walter E Heller Intl	25½	27⅝–17⅞	3.61	3.68	6.9	1.30	5.1	14.0	28.01
Skyline	16½	19⅝–10⅝	0.54	0.60	27.5	0.48	2.9	5.4	10.09
Transamerica	22⅜	26¼–16¼	3.75	3.76	6.0	1.28	5.7	18.5	22.78

†Excludes Shearson Loeb Rhoades.

Forbes

VOLKSWAGEN'S DILEMMA

IS THERE ANOTHER RABBIT IN THE HAT?



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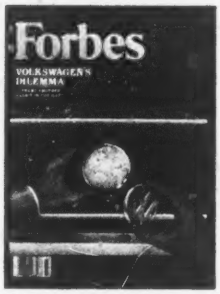
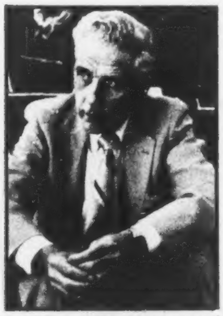


71 Cover Story: Why isn't the pioneer of well-made small cars sitting on top of the world?

36 Rupert Murdoch: "I don't see any fun in wiring up a lot of homes. The way to make money is to buy a cable franchise and sell it quickly."



56 Firestone: The liquidity crisis is over. But at what cost?

31 Companies:
Time Inc.
The real story is not the inevitable death of the Washington *Star.* The real story is that Time is now more a cable television company than anything else, and one with vast hidden, and undervalued, assets.

33 Unemployment:
The Hidden Cause
Why do companies that try to stabilize employment wind up subsidizing those that don't? Because the unstable ones seem to have a lot of political clout.

34 Companies:
Aetna Life & Casualty
It's not nearly as conservative as it may seem. Just different.

35 Investing:
Henry Singleton Scores Again
Teledyne's chairman is still running his company like a personal investment portfolio—and still picking the right stocks.

36 Publishing:
A Talk With Rupert Murdoch
For 30 years, people have been underestimating him. But his worldwide newspaper empire is now nearly as big as the New York Times Co. and Dow Jones combined.

37 Pharmaceuticals:
Here They Come Again
Sankyo, Shionogi, Takeda and Fujisawa are not exactly household names in the U.S. drug industry—yet.

42 Companies:
Georgia-Pacific Corp.
The market has been treating this onetime growth stock favorite like a has-been. Is it? Or has Wall Street mistaken good sense for stagnation?

44 Regulation:
The Swimming-Pool Slide Monopoly
Bureaucratic action created it; bureaucratic inaction preserves it.

46 The Up-And-Comers:
Boston & Maine Railroad
Timothy Mellon, 38, is one of *those* Mellons, but he's hardly your rich playboy. Consider his dream of uniting New England's fragmented railroads.

51 The Up-And-Comers:
Welbilt Electronic Die Corp.
"Everybody's running away from the South Bronx," says John Mariotta, "and I need more room!"

56 Companies:
Firestone Tire & Rubber Co.
The blood has been running in the gutters in the two years since John Nevin took over, and there may be more to come. What he's looking for is the day he can say, "Damn! It worked!"

58 Companies:
Arkansas Best Corp.
"I didn't want to be just a survivor," says H.L. Hembree. "I wanted to *achieve.*"

64 Companies:
Wolverine Worldwide
Not long ago its advertising slogan, "Hush Puppies are dumb," seemed more candid than clever. These days, the basset hound is considerably less doleful.

65 Tax-Exempt Bonds:
You Scratch My Back . . .
How Forsyth, Mont. (pop., 2,800) got its new swimming pool built—and what it all has to do with industrial pollution.

71 Cover Story:
No More Rabbits In Volkswagen's Hat
The world's biggest builder of small cars is facing a future of inflated wage costs, stagnant productivity and erosion of export markets. The implications are ominous for Detroit as well as for Wolfsburg.

78 The Numbers Game:
The Inscrutable CPA
There are 400,000 manufacturing concerns in China and one accounting firm. The Chinese are trying to do something about it, but it will not be easy.

82 Taxing Matters:
There Is No Free Lunch
Or is there?

83 Companies:
Rohr Corp.
Carl L. Sadler was once a Rohr director. Now he's its CEO. Retributive justice, some might call it. Including Carl Sadler.

46 *The Up-And-Comers: But what would grandpa say?*

64 *"The old Hush Puppy has come a long way," says Tom Gleason. Maybe it's time to retire that slogan about being dumb.*

120 *The Streetwalker: If General Tire is in so much trouble, why doesn't "investor" Charlie Bluhdorn sell while he's ahead?*

Faces Behind The Figures

95 James E. Lee,
Gulf Oil Corp.
95 James M. Schlatter,
G.D. Searle & Co.
95 David L. Luke III,
Westvaco
96 John Hummer,
Niederhoffer, Cross & Zeckhauser, Inc.
96 Jack Armstrong,
Imperial Oil, Ltd.
97 Sir John Treacher,
Playboy International
97 Ralph Ginzburg,
Avant-Garde Media, Inc.
100 Jackie Presser,
Teamsters Union
100 Craig A. Nalen,
Overseas Private Investment Corp.

102 Personal Affairs
The ancient practice of barter has become a huge component of the underground economy. Also: The high cost of headhunters, "in-plant" travel agencies, some yardsticks for variable-rate mortgages and the passport bottleneck.

115 Statistical Spotlight:
The Downers
The analysts are scrambling to revise their earnings estimates. And most of the revisions are downward.

117 The Funds;
Life Insurance Investors
With all its assets in life insurance companies, John Gardner's Topeka-based mutual fund led the industry in the first quarter. So he's bailing out while he's ahead.

118 The Money Men:
Richard Young
The sage of Newport looks like an aging altar boy and is as tough as a sailor on shore leave. What he has been saying of late has been remarkably accurate.

119 The Streetwalker:
RCA, General Tire, Rank
The news is so bad, maybe it's time to buy: Doesn't Charlie Bluhdorn see all those potholes? And "an asset-stripping situation beyond belief."

Money And Investments

25
What's Ahead For Business?
26
The Forbes Index
111
The Forbes/Wilshire 5000 Review

Columnists

125
Ben Weberman
126
Heinz H. Biel
127
John Train
128
Richard B. Hoey
130
Stanley W. Angrist
132
Srully Blotnick

Departments

4
Side Lines
8
Trends
10
Follow-Through
15
Readers Say
19
Fact and Comment
22
Other Comments
134
Editorial Index
135
Flashbacks
136
Thoughts

Photos:
8, Owen Franken/Sygma; 10, Doug Wilson/Black Star; 20 bottom, Kip Cleland; 34, 52, 96 bottom, 97 bottom, Bill Kelly; 36, Robin Lawrence; 42, Rich Iwasaki; 46, Steve Liss/Gamma Liaison; 56, Andrew Sacks/Black Star; 62, Bill Parsons; 64, Ed Bailey; 66, Steve Radue/Forsythe Independent; 84, Jim McHugh; 95 top, Richard Faverty; 95 bottom, Tom Barr/Black Star; 96 top, 106, Pat Pagnano; 97 top left, John Cochran/CanaPress; 97 top right, Vijay; 110, Jerry Flint; 103, Chris Maynard/Black Star; 108, Robert Forbes; 117, Jim Richardson/Black Star; 118, Ivan Massar/Black Star

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WHY THE SIGNALS ARE CONFUSING

WHAT'S GOING ON HERE? Automobile dealers are holding their heads; builders with unsold houses are on tranquilizers; yet many businesses are doing extremely well. The overall result is sluggishness, but no recession. This lopsided economy is caused by the clumsy way we fight inflation. We leave the battle to the Fed, which has only one weapon: tight money. So interest-rate-sensitive industries—especially autos, housing—take all the casualties. And make no mistake: The Fed will hang tough. Menachem Begin has nothing on Paul Volcker.

Certain industries are immune to Volcker's medicine

VOLCKER RECENTLY COMPLAINED THAT "some important sectors of the economy are relatively impervious to direct financial restraint." He listed energy, high technology, services and defense. Volcker is not lusting to cause a depression. He just wishes he had policy instruments that would spread the inevitable pain more evenly. Injured industries plead for relief, but none is in sight. The pent-up demand for credit is tremendous. To create money to meet that demand would send inflation soaring. Only when demands moderate can interest rates come down.

How long, O Lord? The economy peaked in March and is still slowing. Normally credit demand peaks three to five months after the economy. If that precedent were to hold, we could look for lower interest rates soon after Labor Day. However, these are not usual times. Corporate liquidity is extremely low, and once interest rates drop everybody will rush in for long- and medium-term credit; so, too, frustrated would-be home buyers. There was a similar lack of liquidity in the 1973-75 recession, which was almost a year old before interest rates started to trend down, in August 1974. If the 1974 precedent holds we will have to live with historically high interest rates well into 1982.

Credit demand will remain strong long after the economy slows

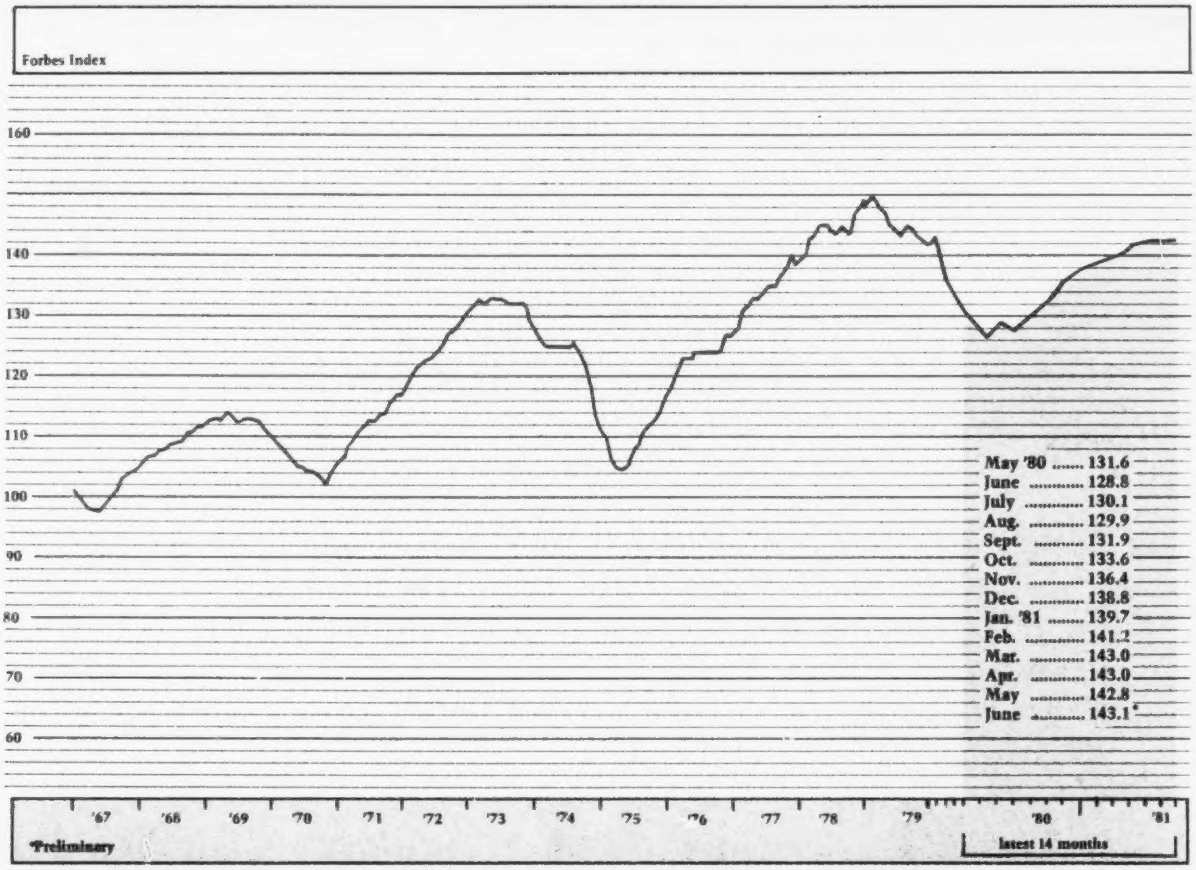
BUT HISTORICALLY HIGH DOESN'T MEAN that the prime rate will stay over 20%. As business remains sluggish, the demand for credit will moderate somewhat.

Many businessmen are now more worried about interest rates than inflation. Paul Volcker doesn't feel that way. So we are getting more relief on the inflation front than on the interest rate front. You hear less about runaway inflation and more about deflation. We're *not* in a truly deflationary situation, but we are making strong progress against inflation. June CPI inflation of 8.4% was far better than it looked. The rate would have been even lower but for mortgage rates, which hardly matter now since so few can afford them anyhow. A recent poll of the influential Federal Open Market Committee members revealed these expectations about 1981 inflation: high estimate, 9%; low, 7.5%.

Little relief in sight for housing and autos

WHAT'S AHEAD thinks the learned FOMC is too cautious; actual price increases could be somewhat slower. Energy is finished, at least for now, as an inflationary factor; interest rates have either peaked or are close to it. Look for interest rates to go down by fall but not way down, and for inflation to continue trending slowly down with an occasional upward blip. Prepare to live with continued lopsidedness in the economy. No auto boom in 1982, no real housing recovery either.

The Forbes Index



May '80	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.7
Feb.	141.2
Mar.	143.0
Apr.	143.0
May	142.8
June	143.1*

The Forbes Index Components

A last hurrah? After a downturn in May, the Forbes Index is rising again—up a slim 0.2%. All that does, however, is to put the Index roughly where it was in April. And even this growth is suspect: Minor readjustments may mean that the final figure becomes a decline. In fact, growth in the Index is caused by only one component: retail sales. They were up 2% in the most recent reporting period.

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

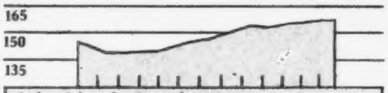
Total retail sales

New housing starts

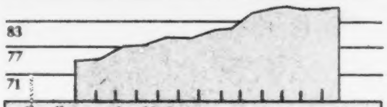
Personal income

The change in the amount of consumer installment debt outstanding

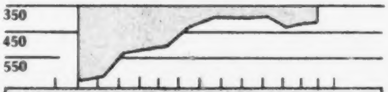
To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



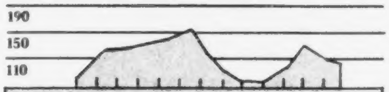
Industrial production index (1967=100)
seasonally adjusted (Federal Reserve)



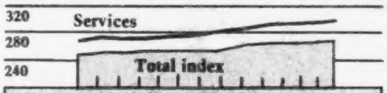
Retail store sales ($billions)
seasonally adjusted (Dept. of Commerce)



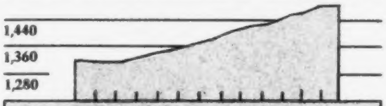
Unemployment claims (thousands)
seasonally adjusted (Dept. of Labor)



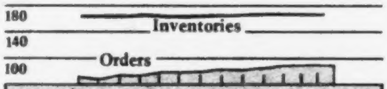
New housing starts (thousands)
privately owned, unadjusted (Dept. of Commerce)



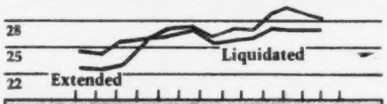
Consumer price indexes (1967=100)
all urban consumers, unadjusted (Dept. of Labor)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Manufacturers new orders and inventories
($billions) seasonally adjusted (Dept. of Commerce)

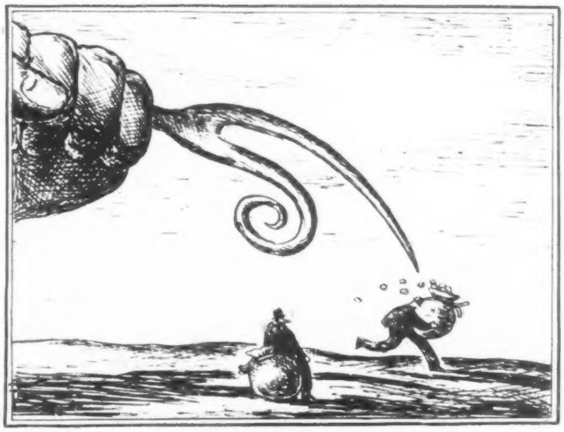


Consumer installment credit ($billions)
total, seasonally adjusted (Federal Reserve)

What happens when Peter runs up a tab and Paul has to pay? More joblessness.

Unemployment's hidden cause

By William Baldwin



WOULD WE HAVE less unemployment if unemployment taxes were levied on the basis of how many people a company lays off? Certainly, say economists who have studied the problem. The way it is, they point out, stable industries are subsidizing the others.

For example, take Rhode Island-based machine-tool maker Brown & Sharpe Manufacturing Co. For the past six years it has been straining to keep employees on the job. During the periodic slumps in sales, workers build inventory or learn new tasks. But the company's unemployment taxes keep climbing, reaching $1.1 million last year, or 10 times what former employees drew in benefits. This year taxes will rise again, in spite of a no-layoff policy. The problem is Rhode Island's many employers whose taxes fall short of benefit costs they impose. "We have a socialized system," complains President Donald A. Roach, "and companies like us who try to stabilize employment end up paying for those where there is no attempt to stabilize."

In Rhode Island, jewelry making, the leading manufacturing industry, gets a cheap ride. "It's a seasonal business and there are many small employers who use the system as part of their compensation scheme," Roach says. In Delaware, automakers don't pay their way, so Du Pont picks up part of the cost of the annual furlough for the model changeover. In California the movie industry is one of the big laggards. Almost everywhere, construction does not pay enough.

Out of work and in hock

Thanks largely to maximum unemployment tax rates that let unstable employers off the hook, 14 states and the District of Columbia have had to get bail-out loans from the federal government.

State	Unemployment fund debt to U.S. Treasury (millions)*
Pennsylvania	$1,585
Illinois	1,373
Michigan	1,015
New Jersey	646
Ohio	600
Connecticut	365
Rhode Island	120
Minnesota	114
West Virginia	100
Arkansas	64
District of Columbia	58
Kentucky	52
Delaware	49
Vermont	40
Maine	36

*As of May 31, 1981.

Source: U.S. Department of Labor

But don't construction contractors have a rough time in a recession? Or in bad weather? Sure they do, but the fact remains that if you subsidize something, you're likely to get more of it. If construction firms' layoffs were more expensive they might adapt, using weatherproof construction techniques or better work scheduling. To the extent that they could not adapt, the costs would be passed on to customers. That's the way free markets work.

Layoffs would be more expensive if experience rating, in which a company or industry pays for its own unemployment, were the rule. According to University of Maryland economist Frank Brechling: "If we had full experience rating, unemployment would fall."

Then why don't we have it? Because the present system—in which experience formulas are weakened by minimum and maximum tax rates—suits the seasonal industries. And seasonal industries seem to hold more sway over politicians than do stable employers.

Consider the New York legislature, which in 1977 blessed construction with a special 1% discount off the maximum unemployment tax rate. "There was enough pressure exerted politically," says a state labor official. Heavy construction's $13 million in unemployment taxes in 1979 covered only a third of its $38 million in benefits. New York's garment industry paid $45 million for $89 million in benefits that year, thanks to a special 4.3% maximum rate. Finance, insurance and utility companies got stung. New York Telephone paid $14 million in state unemployment taxes, while costing the fund only $876,000. It also paid a disproportionate $3.4 million in administrative costs and "extended benefits," via a flat-rate federal tax currently pegged at 0.7%.

The unions, however, like things the way they are. AFL-CIO economist Bert Seidman opposes experience rating because "it's based on a theory that unemployment is something over which employers have control—and that is clearly invalid." He would prefer that the entire $20 billion-a-year cost of unemployment compensation be funded with a flat-rate tax, a la Social Security.

University of Chicago economist Robert Topel disagrees. He says that employers do have some control over temporary layoffs. There are three ways to respond to slack demand, says Topel: Cut prices, build inventory or send workers home. Topel looked at unemployment in 29 industries, statistically stacking states with feeble experience rating, like California and Illinois, against states with strong experience rating, like Texas and Minnesota. His conclusion: Where an individual employer is penalized for layoffs, he tries to avoid layoffs. He says better experience rating could eliminate roughly one-fourth of the country's temporary-layoff unemployment.

Unemployment compensation, however, is a politically touchy subject. Suggest reform and you are accused of being insensitive to the poor or some such sin. Legislators, both federal and state, are eager to appear to be generous while sidestepping the matter of eventual payment. The result is more unemployment, paid for by those who try to avoid laying people off. ■

Those Aetna boys aren't as conservative as they would seem. They are just different.

Listening to its own drummer

IVY-COVERED AND SERENE, the sprawling colonial buildings look like a campus, and John Filer, surveying the world from his majestic 6-feet-4, could be a college dean. But this is the headquarters of Aetna Life & Casualty, the repository of a nice round $36 billion worth of assets, and John Filer its chairman. Ask Chairman Filer whether he plans to follow rival Prudential in buying a brokerage house and he dismisses the idea in almost professorial tones. "You don't," he says, "want to be jumping around with each trend and fad." You get a similar answer when you ask him about the controversial new universal life insurance (FORBES, *July 20*). For now it's not for Aetna. As an aide puts it: "It reminds us of how insurance companies rushed in to buy mutual funds in the Sixties; every one of them got burned."

If you conclude from all this, however, that the gentlemen from Aetna are sitting up there in Hartford, Conn. drowsing over their coupon clipping, you are very much mistaken. Myron Picoult, insurance analyst at Oppenheimer & Co., sums up a good deal of Wall Street thinking when he says: "In its technology investments Aetna shows the aggressive kind of thinking you're not seeing at the other insurance companies."

Aetna's Chairman John Filer
"You don't want to be jumping around with each trend and fad."

Instead of chasing fads Aetna listens to its own drummer, which has led it into satellite data transmission, oil and real estate on a grand scale—most recently in a real estate partnership with Hollywood's Twentieth Century-Fox. Like everybody else, Aetna had problems in real estate in the mid-Seventies, but by last year its realty business and other diversifications provided 11% of Aetna's net profits. In oil, Aetna owns a piece of a $445 million (revenues) Geosource, an oil service business. It has the highest of hopes for Satellite Business Systems, which transmits data via satellite for corporate customers. Right now SBS, a partnership between Aetna, IBM and Comsat General, is nothing but red ink and only three customers on line, but Aetna thinks it will be a $1 billion company by 1990.

Isn't satellite data transmission as much pie in the sky as, say, the brokerage business or universal life insurance? Not the way Aetna sees things. "It is a business that is defined and understood," says John Galvin, Aetna's diversified business head. That's the way Aetna likes things. It doesn't shun risks but wants the "defined and understood."

Wait a minute, though. Isn't Aetna an *insurance* company? It is, and like everybody else in property and casualty, it is having a rough time this year. If inflation weren't problem enough, the insurance companies are being clobbered by sharp lawyers and gullible juries who don't seem to understand that when they hand someone a fat reward their own insurance premiums will eventually reflect the fact.

Basically, an insurance company hopes that premiums and claims will about balance out and that the interest and dividends earned on its reserves will produce a profit. But claims have gotten so far ahead of premiums this year that Aetna is paying out 14% more in claims and operating expenses than it is taking in from premiums—compared with the and racy writing that has become his trademark.

He moved into the world league in 1969 after he offered to help Britain's Carr family fight off a takeover bid for *News of the World*, the hugely popular and salacious British Sunday paper. Murdoch's master company swapped high-earning, low-asset Australian periodicals for 5.1 million new shares in *News of the World*—giving him more than a quarter of the enlarged equity. He quickly purchased enough additional stock for effective control, and then ousted Sir William Carr as chairman. In the uproar that followed, Murdoch discontinued such Carr indulgences as the company's box at the Covent Garden opera house.

Later that year he maneuvered the International Publishing Corp. (IPC) into selling its losing mid-market London *Sun* to the *News of the World* company. After dropping $30 million over six years under IPC management, the paper was profitable for Murdoch within six weeks. All he paid was $120,000 up front and $1.9 million out of *Sun* profits, and he overtook IPC's London *Mirror*'s circulation in the mid-1970s, hitting 4 million in 1978.

Murdoch's ability to turn properties around quickly has allowed him to buy new ventures with cash flow from existing businesses. Thus the *Sun* and *News of the World* have been the main support for most of his later moves, including the thrust into the U.S. This began in 1973 when a few of Murdoch's companies paid nearly $20 million for San Antonio's *Express* and *News*.

Only four months ago Murdoch seemed as stretched as he had ever been, trying to beat out a series of brush fires in many parts of his empire. In the U.S. his New York *Post*, which he bought in 1976 for $32 million, was still losing money in head-to-head competition with Chicago Tribune Co.'s New York *Daily News*. In London he had gamely taken the reins at the Times group, whose trade union greed and arrogance was notorious even by Fleet Street standards. Worse, the profit-center London *Sun* was suddenly being outshone by a cut-price look-alike, the *Daily Star*.

Characteristic Murdoch toughness has transformed the outlook on all three fronts. The Times unions are much tamer, thanks to Murdoch's convincing threat that he would close the business if the previous anarchy continued. Meanwhile, at the *Sun* there was a problem: political outlook. The *Sun* was backing Prime Minister Margaret Thatcher even while Britain's unemployment mounted. The *Star*, by contrast, is leftish in its editorial columns if not in its boardroom, and led the hue and cry of unemployment. But Murdoch recovered quickly. The *Sun* suddenly discovered unemployment in its news pages, and, according to Murdoch, the paper has been "flirting" with the new centrist Social Democratic Party.

In the *Star-Sun* war, Murdoch also showed that he is a dangerous man to cross. He raised the price of the *Sun*, expecting the *Star* to follow; it didn't, and gained circulation at Murdoch's expense. Murdoch countered with a vicious price war in which the rival *Star* finally conceded defeat.

The New York *Post* venture has departed from the usual script in that it is losing a lot of money—$12 million last year, with the outlook no better for this year. But Murdoch says he will fight three or four more years because the prize, as he sees it, is New York's popular newspaper market—nearly 5 million readers.

When he bought the *Post*, it was a sleepy evening paper breaking even with a sale of 500,000. The much bigger *Daily News*—circulation 1.8 million—was selling only in the morning. Hostilities heated up last year when the *News* started an evening edition. Characteristically, Murdoch replied with a morning edition. It was conceived as a shot across the *News*' bow—but the *Post*'s morning operation has gone much better than Murdoch expected. He has been gloating as the *News*' circulation has sagged and the man brought in to raise the tone of its evening edition, former *New York* magazine editor Clay Felker, is out. Says Murdoch of the 3,000-word New Journalism pieces Felker imposed on *News* readers: "They introduced types of journalism that had no place in a newspaper, let alone in a *popular* newspaper." Murdoch would never make the mistake of trying to impose his tastes on his customers.

He now sees the Manhattan battle as a fight to the finish. "We are not large in the market but competitively we are everything because we are stopping the *News* from recovering its costs. It has about 4,700 employees, 90% of them on firm tenure. We have 1,100." Every Harvard Business School student learns—and every gut businessman is born knowing—that in a knock-down-drag-out business fight, the man with the lowest costs nearly always wins.

Can Murdoch beat the *News*, until recently the U.S.' biggest-circulation daily and once the master of popular journalism? However long they once looked, the odds now look very much in Murdoch's favor. One awed former lieutenant reckons that anything is possible. "Murdoch sees around corners," he says. He doesn't, of course, but what he does do is see the newspaper business more clearly than anyone else in the world. ■

First television sets, cameras and steel. Then autos and computers. Now those tough competitors from across the Pacific are aiming at the drug industry.

Rx: made in Japan

By Carol E. Curtis

GREEN CROSS, a middle-size Japanese company, will soon start selling artificial blood—a major pharmaceutical breakthrough. Sankyo, based in Tokyo, is already a leader in anticancer drugs. Two of the best new antibiotics to come on the U.S. market, Moxalactam and Cefizox, were developed by Shionogi and Fujisawa.

At the moment, of course, those obscure names are hardly the medical equivalents of Nissan and Toyota. Japan's international sales account for a mere 3% of its total drug revenues—mostly in the form of bulk pharma-

Look out, Lilly and Merck

Japan's leading pharmaceutical companies are largely unknown to the U.S. public. American drug companies, however, are getting to know them very well.

Company	Revenues* (millions)	Major product lines
Takeda	$1,826	antibiotics, vitamins
Sankyo	695	anti-ulcer and anticancer drugs
Fujisawa	605	antibiotics, nervous system drugs
Shionogi	577	antibiotics, nervous system drugs
Tanabe	461	circulatory and respiratory drugs
Eisai	400	circulatory and respiratory drugs
Taisho	335	nonprescription tonics, nutrients
Yamanouchi	333	antibiotics, tonics
Chugai	310	anti-ulcer and anticancer drugs
Daiichi	290	vitamins, tonics

*Exchange rate: 230 Yen = $1 *Source:* Scudder, Stevens & Clark

ceuticals—and U.S. companies get 40% of their revenues from overseas sales. Still, the $15 billion-a-year Japanese drug industry is preparing an impressive marketing offensive.

Penetrating the U.S. drug market is a key element in that effort. With the prospect of limited increases in auto and consumer electronics exports, Japan needs high-growth replacements. Pharmaceuticals, like semiconductors, are easy to transport and just the kind of high-value-added products that appeal to government planners.

Not surprisingly, Japanese firms started emphasizing product development about a decade ago. In 1965 the average Japanese drug company spent 1% of sales on research. Today it spends about 7.5%—almost even with the U.S. "The most important thing in drugs is successful research, and the Japanese are doing very well at it," says William Holzer, a Japan specialist with Scudder, Stevens & Clark in New York.

Such big spending, however, provides an even greater incentive to export. "To develop a new drug takes ten years and $9 million," says a Tokyo analyst. "That means you can't depend only on the Japanese market."

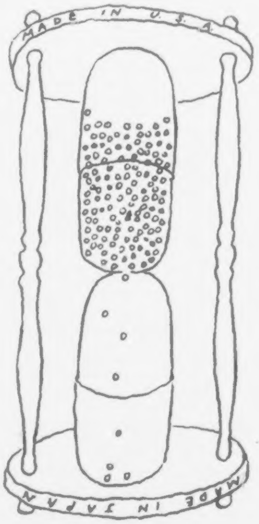
Japan has been steadily increasing its foreign drug introductions—a key statistic since most new products are launched outside the U.S. Japanese revenues from drug-licensing agreements with foreign countries over the last decade have nearly quadrupled, while U.S.-manufactured drugs have been licensed overseas at a slower pace. Robert Schmitt, an analyst at Drexel Burnham Lambert who has been following Japanese industry for 16 years, believes Japan is now preeminent in anticancer drugs, certain antibiotics and artificial blood. Says Schmitt, "They are gearing up to become a world leader."

The Japanese government—no novice at encouraging exports—is actively assisting. Last year the Pharmaceutical Affairs Act extended the time a company can market a drug under exclusive license from three to six years. A change in the patent system, extending coverage to compounds as well as processes, has also encouraged more innovation.

Japanese companies are rushing to patent their drugs in the U.S., too. In 1963 Japan ranked fifth in the number of foreign-origin drug and medicine patents issued in Washington, with 350. In 1977—the most recent period for which data are available—the Japanese had 1,700 drug and medicine patents in the U.S., second only to West Germany.

Still, Japanese entry into the U.S. drug market isn't likely to be a repeat performance of their conquest of the auto industry. Though Detroit has relatively few product lines, the average drug company has at least 12—making it tough to compete across the board. What's more, the U.S. drug industry is not monolithic: The 149 members of the Pharmaceutical Manufacturers Association account for 90% of domestic prescription drug sales. "Pharmaceuticals are a series of small, overlapping monopolies," explains Paul Brooke, who follows the industry for Cyrus J. Lawrence.

Prescription products sold in the U.S. must, of course, be approved by the Food & Drug Administration, a process that can take as long as a decade. But the current FDA policy of approving more new drugs—without regard to origin—works to the advantage of foreigners. "Companies now scramble on an equal footing," says Kenneth Peterson, a vice president of research at Scudder, Stevens & Clark. As a result, he adds, "U.S. research and development has lost its secure franchise on the drug market."



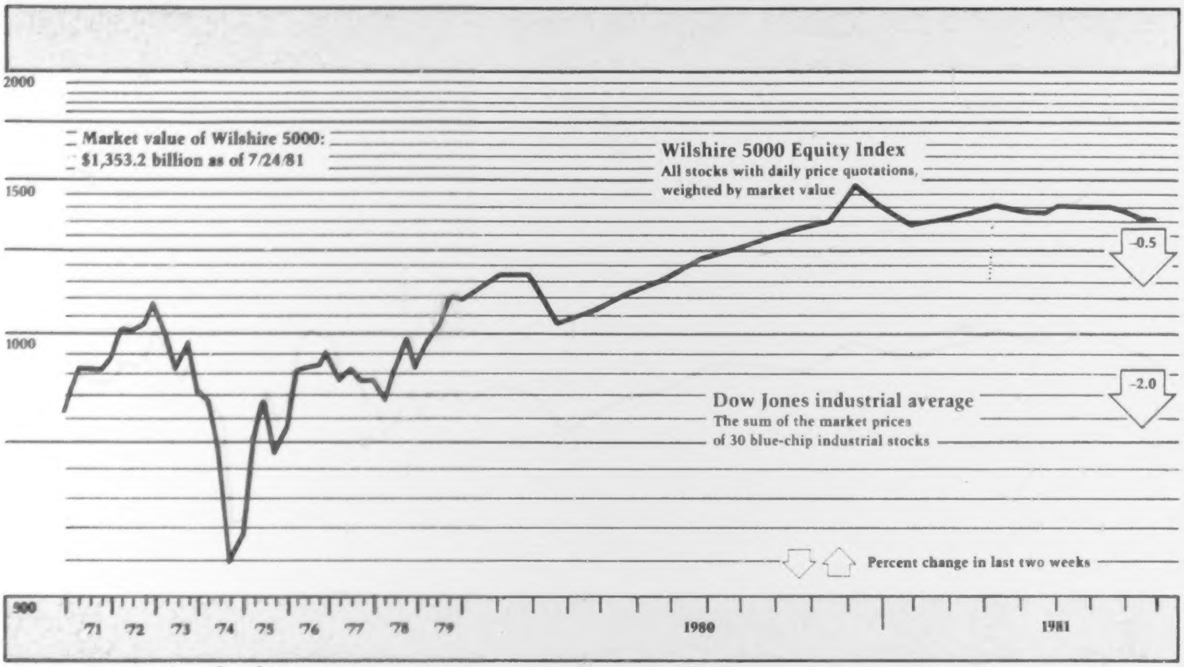
FDA approval, though, is only the beginning. A marketing organization, with a large sales force, is essential for a real export push, and until recently the Japanese chose to participate in the U.S. market almost exclusively through licensing agreements. Typically, these agreements grant a company like Pfizer or SmithKline the right to produce, package and sell a drug in exchange for paying the Japanese company a royalty. Now the Japanese are moving more aggressively and trying joint ventures. Says Barry Cohen, a spokesman for Abbott Laboratories, "The next step is likely to be independent participation in the U.S. market."

Abbott, for example, is currently joint-venturing with Takeda, the largest Japanese drug firm, in developing five different products. By 1984 all five are expected to be on the U.S. market. Other joint ventures include SmithKline and Fujisawa, Lilly and Shionogi, and Merck and Banyu.

The Japanese have been gun-shy so far about making direct acquisitions of U.S. drug companies. Mitsubishi recently bought 10% of tiny ($23 million) Key Pharmaceuticals, but aside from a few industry giants like Takeda, most Japanese drug firms are small in comparison with their American counterparts and thus unable to tackle a major acquisition. "The form expansion will take," predicts Scudder, Stevens' Peterson, "is to joint-venture with a U.S. company, then take control."

Are American companies beginning to feel the heat? Giants such as Johnson & Johnson, Lilly and Merck are financially robust and big research spenders. But they also cast wary eyes to the East. Merck's Chief Executive John Horan acknowledges the threat—but isn't worried. "The U.S. industry," he says, "is fully competitive." A Pfizer executive sees things differently. "Whether General Motors or Ford would have envisioned the extent of Japanese penetration five years ago, I really don't know. I think we're in that same situation." ■

The Forbes/Wilshire 5000 Review



Is a market bottom in sight? Although stocks continue to lose ground, the most recent two-week slide was much gentler than the early July decline. The market as measured by the Wilshire Index was down only 0.5% over the period—compared with the preceding 3.4% slump.

Another sign that the summer doldrums may be ending is trading volume. In the most recent two-week period, Big Board volume was 4% less than it was in the earlier period after adjusting for one less trading day. This suggests that there are fewer sellers looking to dump stock. Factor out the frenetic activity in energy issues fueled by merger-itis, and Wall Street may be approaching what some technical analysts see as a support level.

On a fundamental basis, investors are receiving mixed signals: Red lights warn of an economic slowdown, high interest rates and weakness in earnings. Some green lights: prospects of a tax cut and reduced federal spending, cheaper energy, higher retail sales. Still, until the economy shows clear-cut direction, the predominant mood is likely to be neither bullish nor bearish.

In the meantime, the market is retrenching to a conservative middle ground. High-volatility, high-growth, high-P/E and low-yield stocks are backing off more than their counterparts. Yet the blue-chip issues are also being punished. In the most recent two weeks, the Dow fell almost twice as far as any of the other market indicators.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	–3.2	–5.7	–3.1	–3.2	–5.4
in last 52 weeks	10.5	2.0	8.0	15.9	22.6

Stock performance based on five key investor yardsticks

Percent change	Volatility *		P/E multiple		Dividend yield		Growth profile †		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	–6.4	–2.2	–6.0	–2.7	–2.8	–4.6	–5.1	–3.7	–3.5	–4.0
in last 52 weeks	39.9	11.6	33.7	20.7	4.8	38.0	36.3	15.9	13.7	42.4

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

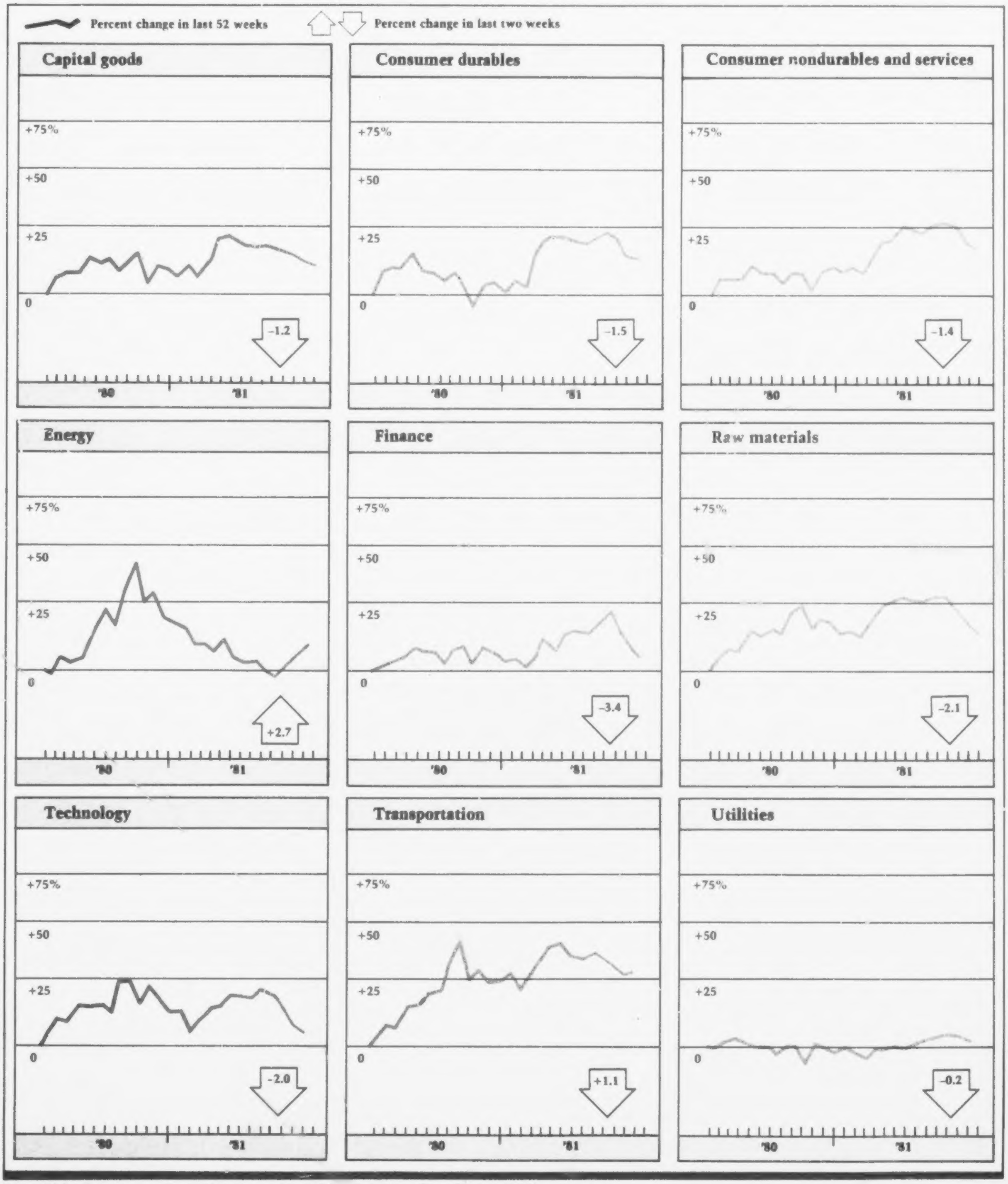
† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 7/24/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

A spotlight with a narrow focus. The battle for Conoco is focusing Wall Street's attention on energy. Other companies may also be up for grabs. In fact, the limelight is now being extended to asset-rich railroads. Transportation was the only group other than energy to finish the last two weeks in the black.

On a 52-week basis only the transportation stocks have produced returns better than money market funds. Support for the railroads and a lift-off of airlines from their low-altitude performance of early 1980 have helped. If the economic downturn worsens and rail shipments and passenger levels drop, however, transportation stocks are vulnerable. As we report elsewhere *(see p. 115)*, analysts are scaling back earnings projections for airlines and trucking companies. Other groups that may be hurt by declining profits include finance and technology.



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NOTE

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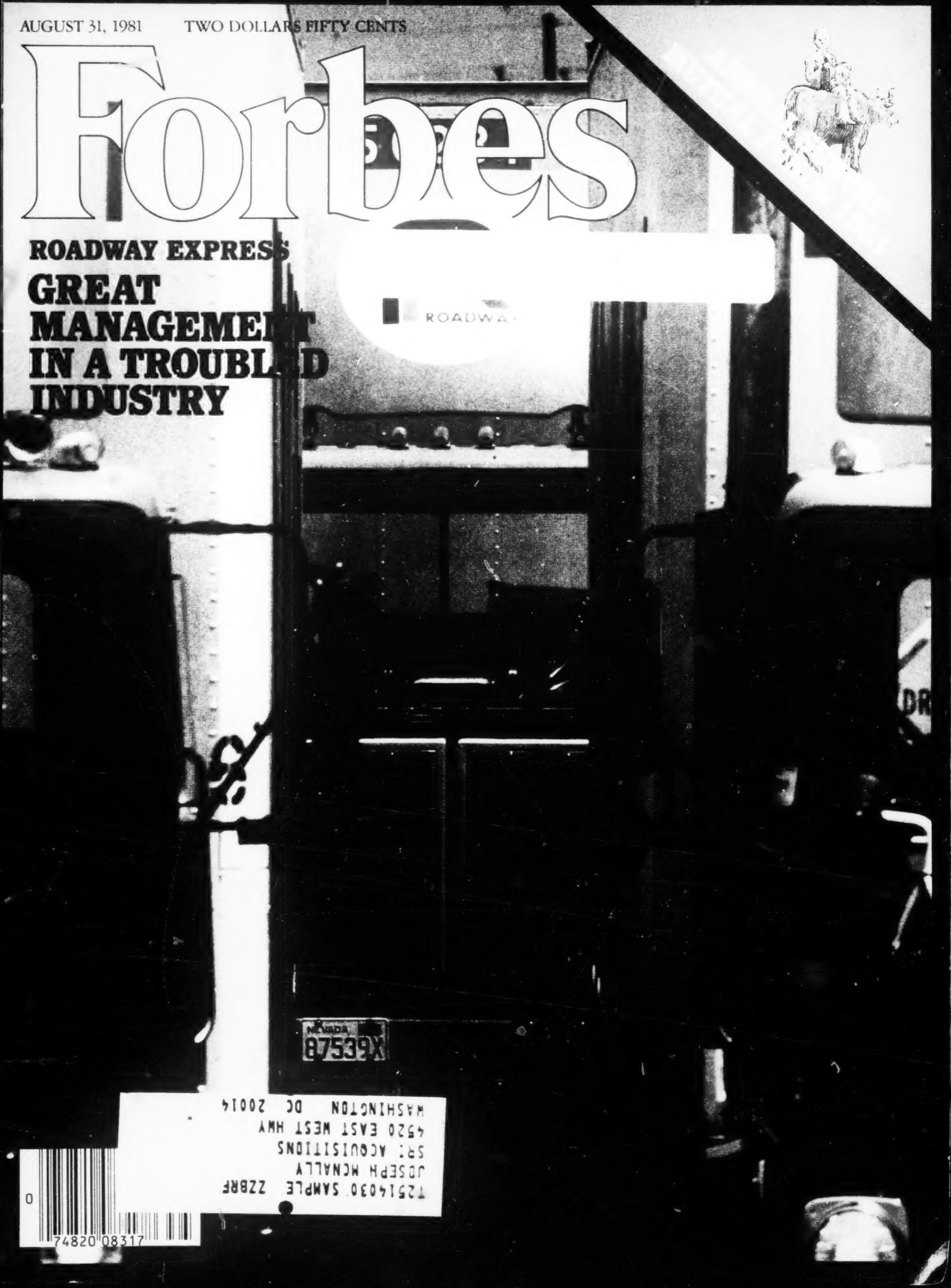
Cover 1, p. 4-5, 25-26, 58-

62, 64-66, 68, 70-72, 77-

79, 81-82, 84, 86-87.

AUGUST 31, 1981 TWO DOLLARS FIFTY CENTS

Forbes



ROADWAY EXPRESS

GREAT MANAGEMENT IN A TROUBLED INDUSTRY

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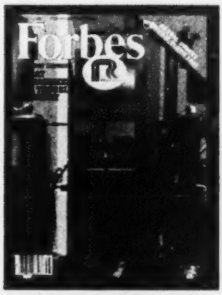
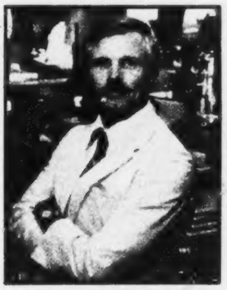
Forbes

August 31, 1981
Volume 128,
Number 5



91 *Cover Story: Control volume growth carefully, says Roadway Express' William Spitznagel, and earnings growth will take care of itself.*



31 *Ted Turner: Don't hang out the funeral wreaths yet.*

37 *Nissan: Marvin Runyon has several ideas for cutting costs. The UAW probably won't like any of them.*

31 Television:
Is This The End Of Ted Turner?
Don't count him out; in a life spent on the thin edge he has proven he has more lives than a cat. But the newly announced ABC-Westinghouse cable news service could present him with the biggest challenge of his hectic career.

33 Taxes:
Who's Hurt?
Few have noticed, but an inevitable side effect is that cities and states will suffer.

34 Companies:
Savin Corp.
A great marketing company with little to market. Paul Charlap is out to change that.

35 Entrepreneurs:
The Junkman Cometh
Irwin Jacobs seems to make money whether the companies he gets involved in succeed or fail. Will Pabst Brewing be any different?

37 Automobiles:
Nissan In Tennessee
What if the Japanese can build cheaper even in the U.S.?

38 Companies:
New England Electric System
Will "Early Burn" make everybody happy?

42 Companies:
Chicago & North Western
Survive! Prevail!

44 Companies:
Oak Industries
The pay-TV industry doesn't erect monuments to its pioneers, it attacks them.

46 Banks:
Cost-Plus Lending
The prime rate doesn't mean what it used to. In fact, it means less all the time.

50 Inflation:
The Awful Truth
They won't say so, but not everyone is cheering for an end to rising prices.

51 Personal Income Taxes:
Looking For A Big Cut?
Don't get your hopes too high.

54 Companies:
Canada Development Corp.
Texasgulf was the visible target. But there was also another that hardly anybody noticed.

58 Special Report:
The Forbes 1981 Mutual Fund Survey
With mutual funds something of a growth industry once again, the companies that manage the funds are booming too. Can they keep their gains?

60 The Honor Roll:
Sixteen Industry Stars

62 Rating The Funds:
The Performance Of 698 Funds

88 Companies:
Hospital Corp. Of America
Founded barely 13 years ago, it's the world's largest owner-manager of hospitals.

91 Cover Story:
Roadway Express, Inc.
This superb, secretive trucking company has been carefully running through the gears of growth for 51 years. As deregulation dawns, it has emerged at the top of the grade.

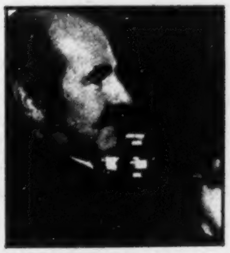
98 Companies:
Texas Federal Savings & Loan
"You wouldn't believe this," says Joel T. Williams Jr., "but we have just had our first-ever stock offering." Buy stock in a savings and loan association these days? Believe it.

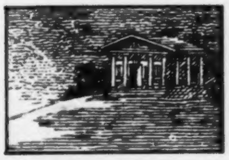
100 The Up-And-Comers:
Advent
Like revolutions, entrepreneurs sometimes try to devour their children.

102 The Up-And-Comers:
TREK Services Corp.
Sinking $1 million into a dream.

106 The Numbers Game:
"There Could Be A Run On The Bank"
Which seems to be the reason auditors are chary about the "going concern" qualification in the troubled S&L industry.

***42** Railroads: "We planned to be the survivor," says Jim Wolfe. The plan worked.*


***100** The Up-And-Comers: What happens when the founder is forced out by his own board? In Advent's case, some rather tough times.*


***106** The Numbers Game: A hot potato for the auditors.*

***144** The Streetwalker: Wall Street pops a valve on Ingersoll-Rand.*

108 Taxing Matters:
Good News In The Boardroom
For years the tax collectors took much of the fun out of executive stock options by taxing gains partly as earned income. The new tax law changes that for the better.

Faces Behind The Figures

111 Robert M. Schaeberle,
Nabisco Brands Inc.
111 Max Karl,
MGIC Investment Corp.
111 W. Michael Blumenthal,
Burroughs Corp.
112 Fenton N. Hord,
Eskimo Pie Inc.
112 Arthur Hauspurg,
Consolidated Edison Co.
112 John Horam,
Social Democratic Party of Britain
114 Robert Kopple and Thomas Lawson,
Brawerman, Kopple & Lerner
114 Frank Berger,
Quadrillon, Inc.
115 Billy Joe Pevehouse,
Adobe Oil & Gas Corp.
115 Stanley Mason,
Entrepreneur
115 David M. Roderick,
U.S. Steel Corp.

117 Personal Affairs
"Creative financing" techniques in selling a house (and some pitfalls); how to take advantage of the stronger dollar; how to negotiate a salary.

142 The Money Men:
Samuel Eisenstadt
Value Line's chief statistician explains why he got a few surprises in the first half.

143 The Streetwalker:
International Paper, Ingersoll-Rand, Florida Steel
That attractive cash from Canada; the biggest compressor company's compressed stock; and Florida's fallen star.

145 Statistical Spotlight:
The Uppers
All those earnings estimates revisions were not downward. Here are 30 companies that look better to the analysts, not worse.

Money And Investments

25
What's Ahead
For Business
26
The Forbes Index
123
The Forbes/
Wilshire 5000
Review

Columnists

127
Ben Weberman
128
Heinz H. Biel
129
John Train
133
Ann C. Brown
134
David Dreman
136
Stanley W. Angrist
138
Ashby Bladen
140
Srully Blotnick

Departments

6
Side Lines
8
Trends
10
Follow-Through
14
Readers Say
17
Fact and Comment
22
Other Comments
146
Editorial Index
147
Flashbacks
148
Thoughts

Photos:
6, Robert Forbes; 13, Doug Wilson/Black Star; 31, Chuck Rogers/Black Star; 32, Paul Kennedy/Focus on Sports; 34, 36, Jim Pozarik/Gamma Liaison; 38, Lawrence Lowry; 42, Wm. Franklin McMahon; 44, Jim McHugh; 55, John De Visser/Black Star; 56, Fred Ward/Black Star; 88, 89, Mike Borum/Black Star; 91, 92, 93 top, Arnold Zann/Black Star; 93 bottom, 111 left, 112 top, 114 right, 115 center, 142, Bill Kelly; 95, Wide World; 98, Michael Salas; 100, 101, Steve Liss/Gamma Liaison, 105, Peter Calvin/Camera 5; 111 center, John Beaver, 111 right, J. Edward Bailey; 112 bottom, Don Rutledge/Black Star; 114 top, Nik Wheeler/Black Star; 114 left, Robin Lawrence; 115 left, Les Wollam; 115 right, Tom Barr/Black Star; 118, Irish Government Tourist Board; 120, Gamma Liaison

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REAGAN'S NEXT TARGETS

EXPECT WHITE HOUSE BUDGET-CUTTERS, their tax programs squared away, to turn their attention next to a wilderness of off-budget federal programs. The effort promises a huge political headache. No beneficiary of these programs is without powerful friends in Congress.

Cutting off-budget borrowing will be worth the headaches

THE WHITE HOUSE WANTS TO CUT, for example, the off-budget federal financing that goes to the Student Loan Marketing Association by 75%, to $500 million for fiscal 1982. Among the loan guarantee programs it aims to reduce or eliminate are those designed to assist housing, agriculture, energy research and small business. You can hear the voices rising in congressional lobbies even now.

Reducing the burden these programs place on U.S. capital markets is worth all the political heat the White House will have to take. Government-sponsored enterprises such as the Federal National Mortgage Association, Farm Credit Administration, Federal Home Loan Bank System and Federal Home Loan Mortgage Corp. plan to raise $25 billion in fiscal 1982, which begins Oct. 1. Another $80 billion will be required to finance loan guarantee programs now on the books. That's $105 billion of federally sanctioned demand in the private credit markets, over and above the $60 billion to be borrowed to finance the projected deficit for 1982. The federal government accounted for 38% of the total demand on U.S. credit markets in the fiscal year now ending. A decade ago it accounted for 16%. Next year it could be nearly half. No wonder the bond market is groaning.

Beyond ideology, the argument is: Do any loan programs really work?

IN THE CONFRONTATION SURE TO COME, White House staffers will argue that anything which can be handled by private enterprise should be handled by it. If Du Pont, Seagram and Mobil can marshal billions in lines of credit to finance takeover bids, they say, why should they need millions in loan guarantees—never mind outright grants—for their own research, exploration or internal expansion?

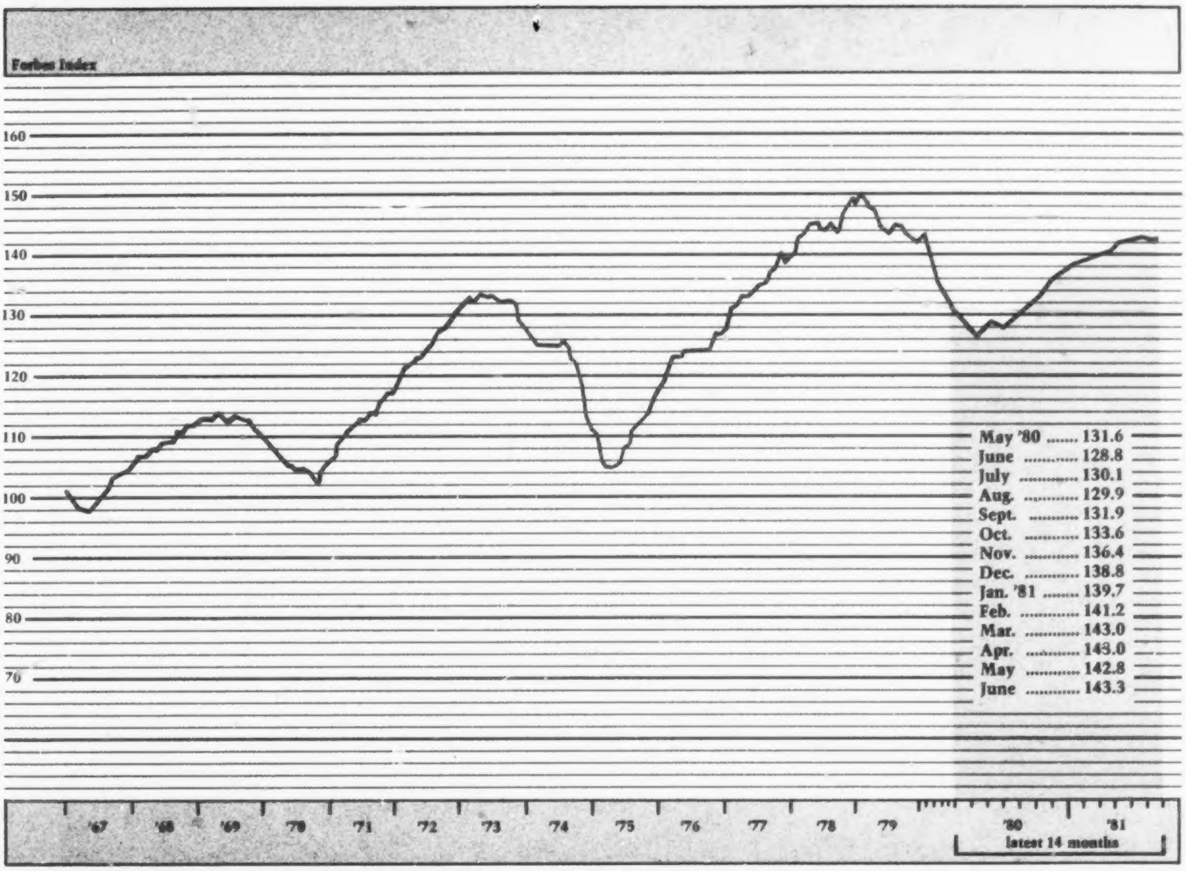
Beyond ideology, there is a practical argument: Do any of these programs really work? Says Lawrence Kudlow, assistant director for economic policy in the Office of Management & Budget: "The volume of public housing in the last ten years, which has been immeasurably aided by federal guarantees, has not prevented overall housing starts from falling into a depression stage."

The Administration's decision to guarantee the American Natural Resource Co.'s $2 billion coal gasification project and a $1.1 billion oil shale project for Tosco is an exception to the rule, not a portent. Both were in the pipeline for years and both, of course, are energy projects.

A 15% prime, even 12%, by year's end

CUT TREASURY DEMAND IN THE CREDIT MARKETS and interest rates will quickly fall. With inflation falling to 8% by year's end (even 6% is beginning to look possible) and with economic growth slowing to the point where the GNP will be flat through the summer and fall before picking up modestly, interest rates as reflected in the prime rate of major banks will fall from 20% to 15%, or even 12%, by year's end.

The Forbes Index



May '80	131.6
June	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.7
Feb.	141.2
Mar.	143.0
Apr.	143.0
May	142.8
June	143.3

The Forbes Index Components

An unexpected surge. The Forbes Index is showing surprising strength—mainly because of a jump in consumer borrowing. Retail sales also inched upward. For inflation-fighters, this is hardly good news. It means the economy is stronger than expected. As a result, the Fed is unlikely to waver from its tough tight-money policies.

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

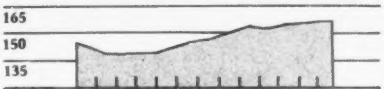
Total retail sales

New housing starts

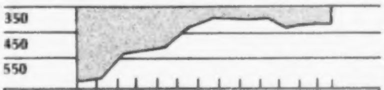
Personal income

The change in the amount of consumer installment debt outstanding

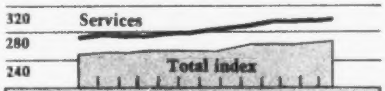
To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



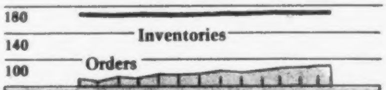
Industrial production index (1967=100) seasonally adjusted (Federal Reserve)



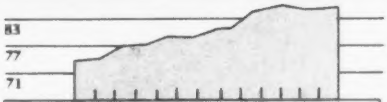
Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)



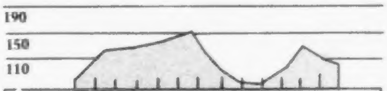
Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)



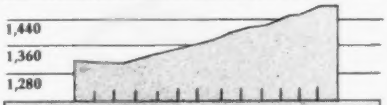
Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



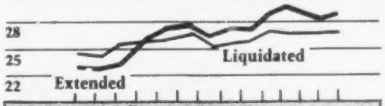
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)



New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

1981 Annual Mutual Fund Survey

Mutual funds are a growth industry once again. Just look at the earnings performance of the companies that manage them.

They have your money—but can they keep it?

By Richard Phalon

J. RANDOLPH UPDYKE, who turned investment adviser immediately after being graduated "next to last" in his class at Dickinson School of Law, thinks of himself as a money manager with a difference. "I would have been a lousy lawyer," says the 37-year-old Updyke, who runs a $15 million portfolio for a limited partnership in Philadelphia. "It takes a linear, sequential mind, and mine is basically intuitive."

It's clear that Updyke doesn't like to run with the crowd. His partnership is the only major buyer in a segment of the mutual fund industry that most other money men seem to have forgotten—the management companies way up at the top of the pyramid. Over the last three years, Updyke has accumulated a 5% stake in Pioneer Group, Inc., 15% of Eaton Vance Corp. and 12% of National Securities & Research Corp.—in all, some $5 million worth of stock. "I think I've been virtually the only big buyer. I sat there with the bid and took everything that came along," he says.

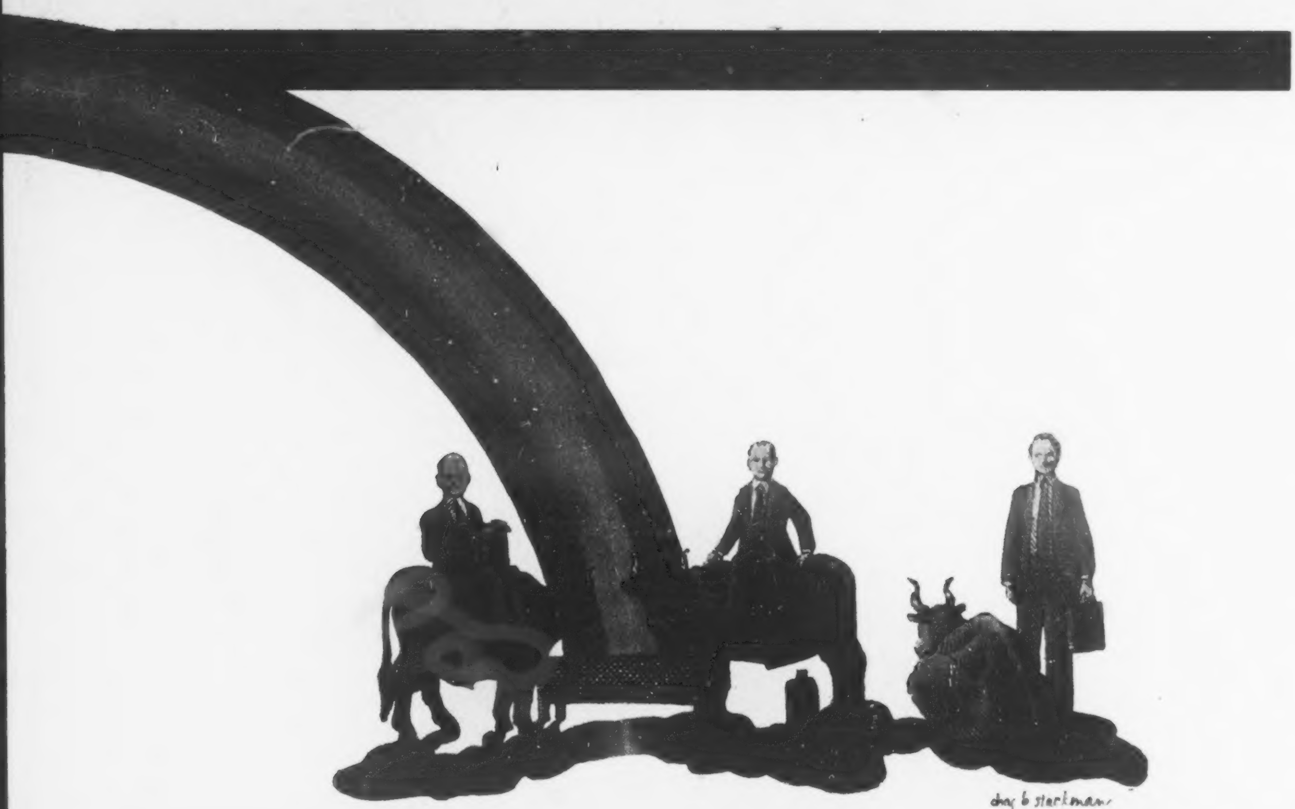
Intuition may have led Updyke to the fund managers in the first place, but the basic numbers are exhilarating enough to please the most demanding of linear, sequential minds. Eaton Vance, for example, which manages 21 investment companies and better than $1.2 billion in assets, reported an earnings gain of 65% for fiscal year 1980. That was no flash in the pan. In the six months ending in April, profits doubled while total income was up barely 23%.

National Securities & Research is doing spectacularly, too. It turned in record $1.49 per-share earnings last year—a whacking 35% on equity. And earnings per share for the first half of 1981 were up 23%, to 81 cents. Dreyfus Corp., perhaps the best-known name in the business, has also been knocking them dead. Its 1980 profits were nearly double those of 1979, and the firm put still more frosting on the cake with a 64% gain for the first half of this year.

What's going on here? The rampageous growth of the money market funds, for one thing. The more money the managers have to manage, the more money they make. An increasingly yield-conscious public, mesmerized by returns that have been hovering around 17% for months now, have been pulling their cash out of the banking system and tucking it into 130 or so new-style repositories like Dreyfus Liquid Assets or the Fidelity Cash Reserves Fund in an ever-swelling flow. At the end of 1979, money market fund assets were at the $45.2 billion mark. By the end of last year, they had mushroomed to $74.4 billion and by the end of July, money fund assets were $137.8 billion—up 85% in 1981 alone.

Such growth has tagged managers with somewhat higher advertising, mailing and processing bills, but it doesn't cost twice as much to run a $1.2 billion fund as it does a $600 million fund. Management fees, of course, scale downward from the top of the line, 0.59% of assets to 0.24% of assets as the size of the pie expands, but in the linear sequential lexicon of Randolph Updyke, the industry's cost profit structure spells leverage with a capital L. When the total net assets entrusted to Federated Investors last year climbed by 62%, for example, net income expanded by 134%. "Once you get above the breakeven point," says Updyke, "the earnings really start dropping down to the bottom line."

Money funds aren't the whole show, of course. Equity fund performance has been quite good—a great solvent for the disillusion that still rankles investors who got burned in the early Seventies. As a result, there



has been a modest tapering off of share cash-ins and a modest rise in new sales. In the first half of this year, sales exceeded redemptions for the first time since the first half of 1971. Today's stars are aggressive growth funds such as Eaton & Howard Special Fund and Fidelity Assets Investment Trust, which have benefited from the stampede to high-tech and over-the-counter stocks.

The current good fortunes of management companies have given intuitive contrarians like Randolph Updyke some handsome gains. Shares in Dreyfus Corp., for example, have more than tripled in price since last year's low. Eaton Vance has done nearly as well and National Securities has doubled. Multiples, however, are still modest—an average of 7 times earnings for the three companies. "That means only modest downside risk—I hope," says Updyke, figuratively knocking wood.

He sees the management stocks as a leveraged play on a rise in the market as a whole. "You have to believe, like John Templeton and a lot of other smart people, that there is going to be a bull market," says Updyke.

Fund managers, he argues, in effect own IBM and other large capitalization stocks. "Why buy the market directly, when I can buy it indirectly through the managers at 10 cents on the dollar?" he asks.

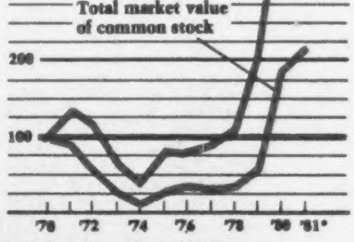
Updyke sounds almost plaintive as he confesses "amazement" at Wall Street's lack of interest in fund management companies. "With Dreyfus selling at hardly 6 times earnings, these stocks are very cheap," says Edward C. Johnson, chairman of FMR Corp. "But the market seems to be saying that today's profits aren't going to last; or if they do last, they're not going to last very long."

Howard Stein, the man who runs Dreyfus Corp., makes much the same point. "Nothing in history says all our assets are going to stay with us, so the share price may be right," he says. "On the other hand, there are people who see new products unfolding, so it's unreasonable to think we're going to lose everything we have."

How secure are today's gains? High short-term rates have kept money funds growing so fast that they now account for 62% of Dreyfus' assets under management. When rates will peak is anybody's guess. But when that happens, fund managers are almost certain to face an asset drain, just as they did in the mid-Seventies when Treasury bill and CD rates dropped from a high of 8.7% to below

Fund managers' index

This graph, a composite of the results of three leading mutual fund management companies, shows the strength of their recent earnings gains. Stock prices, however, have not kept pace. Is this a time to buy?



* Market value value at 6/30/81.
Net income: 12 months ending 6/30/81

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the passbook rate of 5¼%. "We had three funds that had reached just short of $1 billion and we went down to $600 million," recalls Stein.

Exactly how much attrition the funds will see next time around depends on their ability to compete with bank savings accounts. Interest rate ceilings on conventional deposits are already scheduled to be eliminated over the next five years. On top of that the new tax package has created special tax-exempt savings certificates that may well pull money back into hard-pressed thrift institutions. Still, no one in the industry seems to be losing much sleep over these threats. "Suppose the funds lose half of what they've got, a worst-case hypothesis," says Randolph Updyke. "That means they'll only hang on to $70 billion." Money funds will continue to survive, insists industry expert A. Michael Lipper, "even if rates go to 2%."

Lipper's thesis is that the funds have been so successful in selling the mystique of "cash management" that they are reaching a broader customer base than ever—people who have never invested in mutual funds or indeed any kind of securities before. Statistics seem to bear him out. The average money fund account has been declining in size for the last three years, a sign that investors are no longer only well-heeled sophisticates. Anecdotal evidence seems to reinforce this. "There are so many walk-in customers in my lobby, I can't get out to lunch," complains one fund man.

Howard Stein feels that the real challenge is to develop products that can keep the new class of customers in the fund fold. For example, there is a no-load variable annuity called the Dreyfus Rainbow—developed last year in conjunction with another highly skilled mass marketer, National Benefit Insurance Co. Geoffrey Bobroff, vice president of law and regulation for J&W Seligman & Co., talks about a proliferation of intermediate government bond funds designed to offer conservative savers-investors a soothing blend of selling points. "You want a savings feature, a yield advan-

1981 Honor Roll

Funds for all seasons

As long-term investments, these 16 industry leaders have rewarded shareholders handsomely. To make the honor roll, each fund achieved an average return of 10% or better from December 1968 through November 1980. Performance was also in the top 25% during either up or down markets and no worse than the top 50% for both. Funds not marketed during the entire period or with less than $2 million in assets were excluded.

Name	Type	—Market ratings— UP	DOWN	Annual return	Assets (millions)
Diversified stock funds					
AMCAP (3)	load	A	B	10.0%	$254.1
American General Comstock (1)	load	B	B	10.0	179.5
Charter (4)	load	A+	A	13.5	40.6
Founders Special (4)	no-load	A	A	12.9	32.8
General American Investors (4)	closed-end	A+	C	10.8	220.0
Madison (3)	closed-end	B	B	10.9	612.6
Mathers (4)	no-load	A	C	10.7	223.8
Mutual Shares (6)	no-load	B	A	13.2	133.2
Petroleum & Resources (5)	closed-end	A+	B	12.8	257.3
Twentieth Century Select (4)	no-load	A	A	13.9	29.4
Vance, Sanders Special (2)	load	A	C	10.1	100.7
Weingarten Equity (2)	no-load	A+	C	10.7	46.7
Balanced fund					
Kemper Total Return (7)	load	A+	C	11.0	100.3
Funds for investing abroad					
ASA Limited (3)	closed-end	B	A+	19.2	487.0
International Investors (2)	load	A	A+	18.7	266.6
Templeton Growth (8)	load	B	A+	19.2	646.8

Note: Number in parentheses is number of times on honor roll.

tage and perhaps a vehicle that presents some risk to principal," he says.

The industry's real glory days, of course, will come if the thousands of money fund customers gradually move their assets to its equity products. Ned Johnson thinks a small percentage of Fidelity's fund customers will make the switch—an assessment shared by other industry professionals. "These people are not investors," says Bobroff. "They look on the funds as savings accounts. If you told them they owned securities, they wouldn't believe you."

Much of the sales gains the equity funds are showing, in fact, seems to be coming from institutional rather than individual investors. Some professional money men have begun to realize that many funds sport very creditable long-term performance records. The discovery has done almost as much to reshape the management business as the electrifying success of the money funds. The Pioneer Group, Inc., for example, has opted to stay out of the money fund trade entirely, concentrating instead on private and institutional cash in equity funds. Since the end of 1979, the amount of money it runs has climbed from a little over $1.5 billion to better than $2.4 billion—a convincing demonstration that there is plenty of action beyond the world of serve-by-mail consumer accounts.

By comparison with mass marketers like Dreyfus and Fidelity, of course, the Pioneer operation is a boutique. In an industry that is almost certain to become free-form, banks and the big management companies are going to look a lot more alike. Fidelity, for example, is already in the trust business, and Ned Johnson talks about the possibility of running a series of pooled trusts for small banks and pension funds. Dreyfus administers a brace of money funds for Equitable Life Assurance Society and Western Bancorporation. Federated Investors runs a cluster of money funds for a chain of regional brokers. So does Oppenheimer & Co.

Randolph Updyke sees an opportunity in all this. The much heralded financial supermarket, he reasons, just might be a mail-order business—something that looks more like the big fund managers than Citicorp or Merrill Lynch. Other investors, of course, might see the future that way, too, if only they were a little more intuitive, a little less linear and sequential. ■

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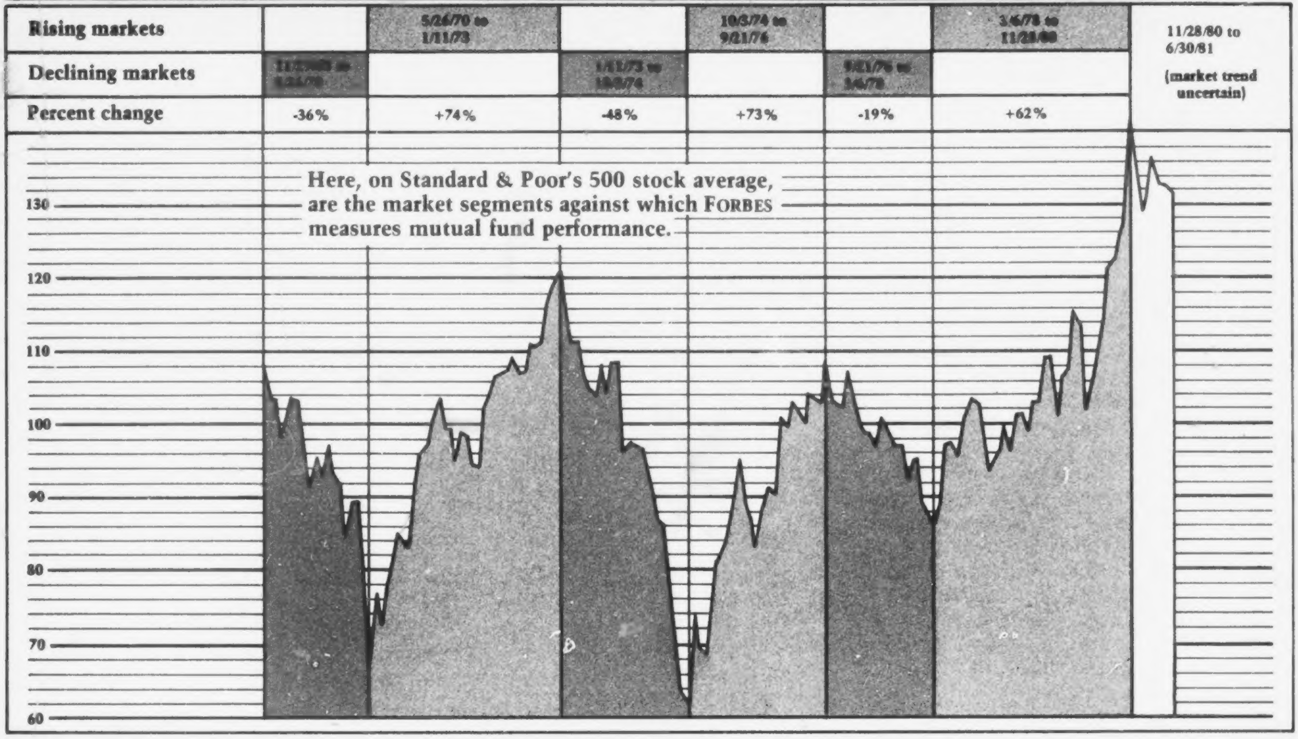

How FORBES rates the funds

What the ratings mean

FORBES rates mutual funds on the basis of their performance in each of three rising markets and three declining markets. To get a high score, a fund must perform consistently well in all three up or down periods.

Adjustments in the calculations prevent an exceptional performance (good or bad) in any one period from having an undue influence on a fund's average performance—calculated separately for up markets and down markets. For up markets, the 12.5% of all funds with the highest adjusted averages are initially awarded an A+ rating, the next 12.5% get an A, the next 25% B, the following 25% C and the lowest quartile D. For down markets, the ratings range from A to F, with an occasional A+ awarded for outstanding performance. In both up-market and down-market ratings, downward adjustments are made to the initial grades where performance in the most recent of the three periods has been substantially below the average of all three. Thus the breakdown of final grades is skewed somewhat from the distribution described.

Explanation of column headings

The performance ratings are based on the following up markets and down markets:

Up markets:	Down markets:
May 26, 1970 to Jan. 11, 1973	Nov. 29, 1968 to May 26, 1970
Oct. 3, 1974 to Sept. 21, 1976	Jan. 11, 1973 to Oct. 3, 1974
Mar. 6, 1978 to Nov. 28, 1980	Sept. 21, 1976 to Mar. 6, 1978

In the Investment Results section, the average annual total return covers the period from Nov. 29, 1968 to June 30, 1981; the latest 12 months is the period from June 30, 1980 to June 30, 1981.

In determining performance ratings and the latest 12 months' return from capital growth, capital gains distributions have been reinvested but income dividends have not. The average annual total return for 1968-81 reflects reinvestment of *all* distributions; it is expressed as a *compound* average annual rate. All results are based on initial investments at net asset value and do not allow for sales charges. Returns reported for closed-end investment companies may differ from those actually experienced by investors because such funds are not purchased (or sold) at net asset value but at a market price that may represent a premium over or discount from net asset value. The premium or discount as of June 30, 1981 is reported separately.

Return from income dividends is based on the June 30, 1981 net asset value and the income payout for the preceding 12 months. For closed-end investment companies, market price is used instead of net asset value.

Annual expenses include management fees and operating expenses as a percentage of average net assets.

FORBES fund composites

The FORBES stock fund composite, balanced fund composite and bond and preferred stock fund composite are new this year, replacing the FORBES stock fund average and balanced fund average. The latter two represented the performance of a select group of the largest funds in each category and were not always representative of the funds in their respective groups. The new composites, in contrast, are the (unweighted) averages of *all* stock funds, balanced funds and bond and preferred stock funds, respectively.

Within the body of the table, the composites are further broken down so that the reader can compare not only the major categories of funds but also the smaller groups (load, no-load, closed-end) that make up those categories.

1981 Fund Ratings

Performance			Investment results						
in UP markets	in DOWN markets		Average annual total return 1968-81	Latest 12 months		Total assets		Maximum sales charge	Annual expenses per $100
				return from capital growth	return from income dividends	6/30/81 (millions)	% change '81 vs. '80		
		Standard & Poor's 500 stock average	**5.7%**	**14.9%**	**4.9%**				
		FORBES stock fund composite	**5.8%**	**25.2%**	**3.4%**				
		FORBES balanced fund composite	**4.7%**	**3.0%**	**8.3%**				
		FORBES bond and preferred stock fund composite	**3.6%**	**–13.4%**	**12.5%**				
				Group averages					
		Stock funds (load)	**5.6%**	**24.6%**	**3.7%**				
D	**D**	**Affiliated Fund**	7.5%	14.8%	6.2%	$1,736.5	10.5	7.25%	$0.38
A	**B**	**AMCAP Fund**	10.0	26.3	3.8	254.1	91.2	8.50	0.80
•C	**•A**	**American Birthright Trust**	—*	14.8	none	129.7	77.2	8.50	1.32
B	**B**	**American General Comstock Fund**[1]	10.0	33.0	4.3	179.5	39.7	8.50	0.90
B	**F**	**American General Enterprise Fund**	4.2	44.2	1.0	605.0	20.9	8.50	0.75
A+	**•C**	**American General Pace Fund**[2]	—*	51.7	2.7	59.6	210.4	8.50	1.05
•B	**•C**	**American General Venture Fund**	—*	34.5	2.9	60.4	205.1	8.50	1.12
C	**A**	**American Growth Fund**	8.4	14.8	5.1	28.2	26.5	7.25	1.49
C	**B**	**American Insurance & Industrial Fund**	9.6	13.1	6.3	15.1	5.6	8.50	1.00
D	**•D**	**American Leaders Fund**	—*	9.1	7.9	48.1	0.4	6.50	1.37
D	**B**	**American Mutual Fund**	9.1	22.7	4.7	508.0	30.5	8.50	0.54
C	**C**	**American National Growth Fund**	8.0	23.0	4.3	57.7	41.4	8.50	0.79
D	**F**	**Anchor Growth Fund**	0.1	23.9	4.4	139.0	7.3	8.50	0.65
D	**C**	**Axe-Houghton Stock Fund**	4.4	25.2	1.4	122.4	64.7	8.50	0.88
B	**•D**	**BLC Growth Fund**	—*	37.0	2.3	14.6	40.4	8.50	1.04
D	**•B**	**BLC Income Fund**	—*	25.3	5.2	16.4	32.3	8.50	0.94
C	**C**	**Broad Street Investing Corp**	7.9	20.3	4.8	377.0	17.1	7.25	0.45
C	**D**	**Bullock Fund**	6.4	17.5	4.0	140.4	5.5	8.50	0.78
C	**D**	**The Cardinal Fund**	4.5	16.2	4.0	13.5	4.7	8.50	0.93
C	**D**	**Century Shares Trust**	6.5	16.9	4.6	71.9	10.8	7.25	0.99
B	**F**	**CG Fund**	5.7	23.4	3.9	152.2	28.8	7.50	0.68
A+	**A**	**Charter Fund**	13.5	26.2	3.1	40.6	60.5	8.50	1.35
B	**C**	**Chemical Fund**	6.2	21.2	3.0	1,032.6	20.0	8.50	0.62
B	**F**	**Colonial Growth Shares**	2.8	24.5	2.1	67.0	11.1	8.50	1.18
C	**F**	**Common Stock Fund State Bond & Mortgage Co**	3.1	17.3	3.2	33.8	5.3	8.50	1.15
D	**D**	**Commonwealth Fund Indenture Trust Plans A & B**	2.8	5.5	7.8	10.2	–5.6	7.50	0.40
D	**C**	**Commonwealth Fund Indenture of Trust Plan C**	4.2	6.5	6.5	35.4	0.6	7.50	0.75
D	**D**	**Composite Fund**	4.8	24.6	3.8	26.0	21.5	7.00	0.91
C	**C**	**Corporate Leaders Tr Fund Certificates, Series "B"**	6.7	14.8	6.3	49.6	7.1	†	0.10
C	**D**	**Country Capital Growth Fund**	3.7	26.0	2.7	47.0	16.3	7.50	0.85
D	**C**	**Decatur Income Fund**	8.4	13.6	6.3	376.3	29.5	8.50	0.69
D	**D**	**Delaware Fund**	6.0	25.5	4.1	255.9	7.8	8.50	0.77
D	**D**	**Delta Trend Fund**	2.2	46.9	2.7	10.3	27.2	8.50	1.60
D	**C**	**Diversified Fund of State Bond and Mtge Co**	6.1	12.7	4.9	7.4	17.5	8.50	1.00
D	**C**	**Dividend Shares**	5.1	11.0	5.4	251.8	1.7	8.50	0.80
C	**C**	**The Dreyfus Fund**	6.4	26.8	3.9	1,752.2	15.9	8.50	0.74
B	**•C**	**The Dreyfus Leverage Fund**	—*	9.4	4.4	322.4	1.9	8.50	1.00
		Eaton & Howard Funds							
A	**F**	**Growth**	4.2	41.3	1.0	36.5	21.7	7.25	0.95
D	**F**	**Stock**	1.1	7.2	4.7	73.2	–5.6	7.25	0.67
A+	**F**	**Fairfield Fund**	3.2	48.3	0.6	32.8	36.7	8.50	1.13
•B	**•B**	**Fidelity Destiny Fund**	—*	33.4	2.9	233.1	48.0	‡	0.75
A+	**D**	**Fidelity Magellan Fund**[3]	13.0	67.9	2.7	104.4	161.7	2.00	1.23
C	**•F**	**First Investors Discovery Fund**	—*	48.2	0.3	6.0	42.9	8.50	1.50
A	**F**	**First Investors Fund for Growth**	3.7	31.3	2.2	69.9	16.3	8.50	1.01
D	**C**	**First Investors Natural Resources Fund**[4]	2.5	–4.8	10.0	11.1	–9.0	8.50	1.30
D	**B**	**First Investors Option Fund**	3.4	14.3	4.7	81.8	97.1	7.25	1.10
C	**C**	**Founders Mutual Fund**	4.5	16.3	4.5	132.8	5.1	4.00	0.52

• Fund rated for two periods only; maximum allowable rating A. *Fund not in operation for full period. †Fund not currently selling new shares; existing shares traded over-the-counter. ‡ Available only through contractual plan. [1] Formerly Comstock Fund. [2] Formerly Pace Fund. [3] Formerly Magellan Fund. [4] Formerly First Investors Fund.

Performance in UP markets	in DOWN markets		Investment results: Average annual total return 1968-81	Latest 12 months: return from capital growth	return from income dividends	Total assets: 6/30/81 (millions)	% change '81 vs. '80	Maximum sales charge	Annual expenses per $100
		Standard & Poor's 500 stock average	5.7%	14.9%	4.9%				
		FORBES stock fund composite	5.8%	25.2%	3.4%				
		FORBES balanced fund composite	4.7%	3.0%	8.3%				
		FORBES bond and preferred stock fund composite	3.6%	–13.4%	12.5%				
		Stock funds (load) — Group averages	5.6%	24.6%	3.7%				
		Franklin Custodian Funds							
A	F	**Dynatech Series**	1.8%	29.4%	1.3%	$ 11.8	4.4	7.25%	$1.00
C	D	**Growth Series**	3.3	26.7	1.4	8.6	16.2	7.25	0.98
D	B	**Utilities Series**	1.6	–4.2	9.9	10.3	–2.8	7.25	1.06
B	D	**Franklin Option Fund**[5]	4.8	25.4	1.3	4.5	32.4	7.25	1.23
D	D	**Fund of America**	2.5	13.1	5.7	83.4	–2.5	8.50	0.97
A+	•D	**Fund of the Southwest**	—*	49.6	1.9	4.3	79.2	7.50	1.00
D	D	**Fundamental Investors**	2.9	17.2	4.7	372.5	2.1	8.50	0.63
B	B	**Growth Fund of America**	5.9	37.5	1.5	152.5	73.5	8.50	0.76
D	F	**Hamilton Funds**	3.0	13.9	4.1	255.9	–4.1	8.50	0.92
B	•F	**Hamilton Growth Fund**	–*	19.6	2.8	26.6	5.1	8.50	1.49
A	F	**John Hancock Growth Fund**	1.9	29.8	0.8	34.5	15.8	8.00	1.06
•B	•D	**IDS Growth Fund**	—*	77.3	1.4	337.0	150.9	8.00	0.58
A+	F	**IDS New Dimensions Fund**	6.4	47.7	1.8	237.7	42.3	8.00	0.66
B	•F	**IDS Progressive Fund**	—*	27.4	2.3	110.0	12.1	8.00	0.79
C	C	**The Investment Co of America**	7.5	19.5	4.5	1,714.5	17.8	8.50	0.45
C	C	**Investment Trust of Boston**	5.3	10.6	2.8	61.5	–1.0	7.25	0.86
A	B	**Investors Research Fund**	8.7	42.2	1.8	17.3	44.2	8.50	1.10
C	D	**Investors Stock Fund**	4.0	11.9	5.1	1,452.4	–0.5	8.00	0.54
C	F	**Investors Variable Payment Fund**	3.0	25.6	3.7	394.6	6.1	8.00	0.64
D	B	**ISI Growth Fund**	2.5	0.2	9.4	13.9	–4.8	8.50	1.10
D	A	**ISI Income Fund**	3.7	–14.6	13.4	8.6	–19.6	8.50	1.17
•D	•A	**ISI Trust Fund**	—*	–11.9	11.9	105.5	–15.6	8.50	0.82
•D	•D	**JP Growth Fund**	—*	14.1	4.7	23.5	26.3	8.00	0.88
A+	C	**Kemper Growth Fund**	7.9	20.5	2.7	163.4	17.0	8.50	0.70
A+	•D	**Kemper Summit Fund**	—*	34.1	1.8	69.7	52.9	8.50	0.81
		Keystone Custodian Funds							
C	F	**K-2**	3.1	11.7	4.3	134.6	21.5	8.50	0.61
C	D	**S-1**	3.1	5.1	4.1	64.9	–5.7	8.50	0.65
B	F	**S-3**	5.4	25.9	3.1	118.9	18.0	8.50	0.63
A+	F	**S-4**	3.4	35.6	1.2	511.1	14.0	8.50	0.63
C	C	**Life Insurance Investors**	6.6	14.9	3.8	64.6	8.4	8.50	0.57
C	•F	**MagnaCap Fund**	—*	22.6	4.0	6.0	7.1	7.25	1.80
•B	•C	**Massachusetts Capital Development Fund**	—*	40.1	2.7	178.7	173.2	7.25	0.89
•B	•F	**Massachusetts Financial Development Fund**	—*	26.0	2.7	157.2	22.1	7.25	0.86
B	F	**Massachusetts Investors Growth Stock Fund**	5.0	29.0	2.3	830.2	18.5	7.25	0.50
D	C	**Massachusetts Investors Trust**	4.8	17.7	4.5	1,171.3	6.2	7.25	0.46
D	D	**Midamerica Mutual Fund**	2.5	11.1	4.1	34.1	–4.5	8.50	0.91
D	C	**MIF/Nationwide Fund**[6]	4.8	12.0	6.3	216.2	4.4	7.50	0.71
C	F	**MIF/Nationwide Growth Fund**[7]	2.4	20.5	3.1	30.7	12.5	7.50	0.78
•C	•F	**The MONY Fund**	—*	14.4	3.3	12.2	8.0	8.50	1.00
D	D	**Mutual of Omaha Growth Fund**	2.1	19.1	3.8	16.2	20.0	8.00	1.48
A	F	**National Investors Corp**	5.8	20.5	2.2	732.3	8.9	7.25	0.43
		National Securities							
C	F	**Growth Fund**	1.1	25.6	2.3	97.5	6.1	7.25	0.70
C	C	**Stock Fund**	6.6	17.6	4.9	239.8	6.1	7.25	0.69
C	C	**NEL Equity Fund**	8.3	23.3	3.6	11.9	30.8	8.00	1.03
A	D	**NEL Growth Fund**	8.6	54.9	1.4	45.7	75.1	8.00	0.79

•Fund rated for two periods only; maximum allowable rating A. *Fund not in operation for full period. [5] Formerly Brown Fund. [6] Formerly MIF Fund. [7] Formerly MIF Growth Fund.

1981 Fund Ratings

Performance in UP markets	Performance in DOWN markets		Investment results: Average annual total return 1968-81	Investment results: Latest 12 months return from capital growth	Investment results: Latest 12 months return from income dividends	Total assets 6/30/81 (millions)	Total assets % change '81 vs. '80	Maximum sales charge	Annual expenses per $100
		Standard & Poor's 500 stock average	5.7%	14.9%	4.9%				
		FORBES stock fund composite	5.8%	25.2%	3.4%				
		FORBES balanced fund composite	4.7%	3.0%	8.3%				
		FORBES bond and preferred stock fund composite	3.6%	-13.4%	12.5%				
		Stock funds (load) Group averages	5.6%	24.6%	3.7%				
•D	•F	NEL Retirement Equity Fund	—*	27.1%	2.9%	$ 54.3	22.0	8.00%	$0.68
A	•C	New York Venture Fund	—*	32.0	3.5	65.5	25.2	8.50	1.04
D	C	Old Dominion Investors' Trust	5.8%	12.3	6.9	3.9	11.4	.99	1.19
A+	•F	Oppenheimer A I M Fund	—*	39.8	1.2	233.0	28.7	8.50	1.11
B	F	Oppenheimer Fund	4.6	26.2	2.2	352.2	9.4	8.50	0.96
•A	•D	Oppenheimer Time Fund	—*	20.8	3.2	88.8	16.1	8.50	1.13
C	A+	Over-The-Counter Securities Fund	13.0	21.0	3.7	51.3	41.7	8.00	1.13
D	B	Paramount Mutual Fund	8.7	15.2	3.0	10.1	2.0	8.50	1.58
A	C	Philadelphia Fund	9.1	17.6	3.6	110.0	10.6	8.50	0.89
B	C	Pilgrim Fund	6.1	20.9	3.9	50.8	141.9	7.25	1.50
C	B	Pioneer Fund	9.7	17.6	3.8	1,059.9	32.5	8.50	0.66
B	•A	Pioneer II	—*	33.0	3.2	422.5	72.0	8.50	0.81
C	D	Pligrowth Fund	4.8	15.9	3.2	20.9	6.6	8.50	1.21
B	B	Plitrend Fund	9.7	36.4	2.2	23.7	35.4	8.50	1.20
B	•F	Progress Fund	—*	38.6	0.9	5.4	20.0	8.50	1.25
		Putnam Funds							
C	C	Growth	6.5	14.7	5.0	679.0	8.3	8.50	0.57
B	D	Investors	8.4	31.3	2.6	668.0	49.5	8.50	0.57
A	F	Vista	5.1	37.1	3.3	76.0	28.6	8.50	1.04
A	•C	Voyager	—*	33.2	2.5	92.0	39.8	8.50	1.17
A	•A	Research Capital Fund	—*	-12.8	12.5	52.1	-6.3	7.25	0.80
C	F	Research Equity Fund	-0.5	13.0	2.9	69.1	13.1	7.25	1.10
B	D	St Paul Capital Fund	7.9	39.6	3.3	48.8	9.7	6.00	0.95
A	C	St Paul Growth Fund	9.2	53.3	1.1	36.3	55.8	6.00	0.99
		Security Funds							
A	F	Equity	5.4	25.4	2.3	159.9	22.9	8.50	0.70
D	A	Investment	9.0	13.8	6.3	105.7	17.6	8.50	0.69
A+	•F	Ultra	—*	43.0	0.5	47.9	76.1	8.50	1.18
D	C	Sentinel Common Stock Fund	7.3	12.2	6.4	284.4	5.9	8.50	0.91
C	•C	Sentinel Growth Fund	—*	33.9	2.3	27.4	69.1	8.50	0.93
B	•D	Sentry Fund	—*	36.9	2.8	27.1	44.2	8.00	0.84
B	•F	The Shearson Appreciation Fund	—*	23.9	2.7	13.3	19.8	6.50	1.20
•C	•D	Shearson New Directions Fund[a]	—*	16.2	3.4	5.3	0.0	6.50	1.31
A	F	Sigma Capital Shares	4.6	36.9	2.2	25.0	27.6	8.50	1.33
C	D	Sigma Investment Shares	6.2	18.9	4.6	50.9	13.1	8.50	1.17
•B	•D	Sigma Special Fund	—*	26.2	2.4	9.6	24.7	8.50	1.44
A+	•C	Sigma Venture Shares	—*	47.3	1.2	23.8	107.0	8.50	1.17
B	D	Smith, Barney Equity Fund	6.6	28.8	2.8	58.1	18.8	5.00	1.04
D	B	Smith, Barney Income & Growth Fund	7.2	31.3	4.9	4.0	29.0	5.00	1.92
C	D	Southwestern Investors	6.6	35.0	3.5	19.1	14.4	7.50	1.00
D	C	Sovereign Investors	6.0	10.3	5.6	8.6	6.2	5.00	1.10
B	D	State Street Investment Corp	7.5	23.3	2.8	486.4	20.0	†	0.53
B	D	Surveyor Fund	4.4	26.7	1.6	103.0	18.7	8.50	1.01
A	C	Technology Fund	8.1	24.8	2.5	518.2	19.0	8.50	0.53
D	D	Transamerica Capital Fund	2.6	20.7	3.4	41.8	10.3	8.00	0.87
A	C	Travelers Equities Fund	7.4	21.0	6.0	42.1	24.2	8.50	0.84
A+	•F	Union Capital Fund	—*	32.2	1.4	50.8	37.7	7.25	0.75
C	F	United Accumulative Fund	4.1	18.7	4.5	400.2	6.6	8.50	0.60

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1981 Fund Ratings

Performance			Investment results						
			Average annual total return	Latest 12 months		Total assets			
in UP markets	in DOWN markets		1968-81	return from capital growth	return from income dividends	6/30/81 (millions)	% change '81 vs. '80	Maximum sales charge	Annual expenses per $100
		Standard & Poor's 500 stock average	**5.7%**	**14.9%**	**4.9%**				
		FORBES stock fund composite	**5.8%**	**25.2%**	**3.4%**				
		FORBES balanced fund composite	**4.7%**	**3.0%**	**8.3%**				
		FORBES bond and preferred stock fund composite	**3.6%**	**–13.4%**	**12.5%**				
			Group averages						
		Stock funds (load)	**5.6%**	**24.6%**	**3.7%**				
•D	•F	**United Continental Growth Fund**	—*	30.3%	4.2%	$ 57.4	24.8	8.50%	$0.86
D	D	**United Income Fund**	3.7%	8.6	7.0	502.6	–3.4	8.50	0.64
B	F	**United Science & Energy Fund**	2.5	17.5	3.4	170.1	8.1	8.50	0.67
B	•F	**United Vanguard Fund**	—*	45.3	3.6	62.9	95.3	8.50	1.02
B	D	**The Value Line Fund**	6.8	42.0	1.9	74.4	38.3	2.50	0.67
D	B	**The Value Line Income Fund**	8.6	27.6	5.0	74.8	16.7	2.50	0.81
•B	•C	**Value Line Leveraged Growth Investors**	—*	36.6	1.6	23.8	39.2	2.50	0.86
A+	D	**The Value Line Special Situations Fund**	1.8	51.1	0.9	153.8	17.0	2.50	1.00
B	B	**Vance, Sanders Common Stock Fund**	9.3	31.3	2.2	58.9	20.9	8.50	0.81
A	C	**Vance, Sanders Special Fund**	10.1	35.5	3.8	100.7	54.5	8.50	0.75
D	D	**Wall Street Fund**	3.5	13.5	3.0	7.5	0.0	8.50	2.18
D	C	**Washington Mutual Investors Fund**	7.9	24.2	5.3	387.6	20.8	8.50	0.59
			Group averages						
		Stock funds (no load)	**5.3%**	**27.3%**	**2.8%**				
•A	•D	**Able Associates Fund**	—*	29.0%	none	$ 7.4	100.0	none	$3.30
•A	•B	**Acorn Fund**	—*	26.6	3.1%	115.4	30.0	none	0.93
A	F	**ADV Fund**	–2.3%	14.5	3.1	16.1	18.4	none	1.87
A+	F	**Afuture Fund**	6.4	31.1	2.7	30.9	19.8	none	1.60
B	F	**Alpha Fund**	4.5	25.0	3.0	14.6	12.3	none	1.50
A	F	**American Investors Fund**	2.8	37.3	0.2	212.3	32.9	none	1.09
A	D	**Armstrong Associates**	8.6	34.9	2.5	8.3	43.1	none	1.60
C	C	**David L Babson Investment Fund**	5.0	13.3	3.2	281.9	20.3	none	0.61
D	C	**Beacon Hill Mutual Fund**	3.1	24.1	0.5	2.2	10.0	none	3.50
B	D	**Boston Company Capital Appreciation Fund**[9]	5.8	22.4	3.7	225.8	15.1	none	0.70
D	F	**Boston Mutual Fund**	1.8	17.7	3.6	3.7	–7.5	none	1.03
D	A	**Capamerica Fund**	7.4	15.6	3.6	3.4	25.9	none	2.00
A	D	**Capital Shares**	5.2	33.1	1.1	48.1	41.1	none	1.52
A	C	**Columbia Growth Fund**	8.6	35.3	2.3	35.2	36.4	none	1.17
D	D	**Concord Fund**	3.4	20.6	2.7	1.8	12.5	†	2.06
A	F	**The Constellation Growth Fund**	4.8	48.6	none	43.3	65.3	none	1.40
C	D	**de Vegh Mutual Fund**	5.0	19.9	2.7	68.5	16.5	none	0.98
C	•F	**Directors Capital**	—*	9.7	none	1.2	–7.7	none	9.43
C	D	**Dodge & Cox Stock Fund**	5.5	20.8	4.4	19.7	23.9	none	0.75
D	F	**The Drexel Burnham Fund**	1.0	18.9	4.3	43.9	14.0	none	1.20
•A	•B	**The Dreyfus Third Century Fund**	—*	23.6	1.8	114.2	82.4	none	1.06
B	C	**Energy Fund**	8.3	11.6	4.0	369.1	16.0	none	0.81
•A	•B	**The Evergreen Fund**	—*	36.1	0.8	100.2	114.6	none	1.34
B	B	**Explorer Fund**	7.8	66.4	0.9	43.3	148.9	none	1.09
B	C	**Fidelity Contrafund**[10]	9.0	36.9	4.0	72.4	44.8	none	1.10
D	B	**Fidelity Equity-Income Fund**	8.3	21.6	6.9	190.4	61.4	none	0.90
C	D	**Fidelity Fund**	6.6	20.7	4.1	538.1	9.9	none	0.73
D	B	**Fidelity Puritan Fund**[11]	7.7	13.9	6.7	695.8	5.5	none	0.67
B	F	**Fidelity Trend Fund**	3.0	20.9	2.4	585.1	4.8	none	0.85
C	D	**Financial Dynamics Fund**	2.6	16.9	6.1	58.4	9.6	none	0.70
C	C	**Financial Industrial Fund**	6.1	0.1	7.1	298.6	–1.7	none	0.67
D	•B	**Financial Industrial Income Fund**	7.9	0.9	7.9	164.6	–3.9	none	0.66
A+	•C	**The 44 Wall Street Fund**	—*	43.2	none	135.3	9.5	none	0.78

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1981 Fund Ratings

Performance in UP markets	in DOWN markets		**Investment results** Average annual total return 1968-81	Latest 12 months return from capital growth	Latest 12 months return from income dividends	Total assets 6/30/81 (millions)	Total assets % change '81 vs. '80	Maximum sales charge	Annual expenses per $100
		Standard & Poor's 500 stock average	5.7%	14.9%	4.9%				
		FORBES stock fund composite	5.8%	25.2%	3.4%				
		FORBES balanced fund composite	4.7%	3.0%	8.3%				
		FORBES bond and preferred stock fund composite	3.6%	–13.4%	12.5%				
		Stock funds (no load) Group averages	5.3%	27.3%	2.8%				
B	F	**Founders Growth Fund**	4.3%	37.0%	3.1%	$39.2	26.1	none	$1.40
D	B	**Founders Income Fund**	6.8	23.3	5.4	6.1	22.0	none	1.50
A	A	**Founders Special Fund**	12.9	40.2	1.8	32.8	75.4	none	1.44
D	D	**Foursquare Fund**	2.8	12.7	3.8	6.4	–1.5	none	2.20
C	F	**Fundex**	–3.5	14.8	none	0.4	0.0	†	9.69
C	C	**General Securities**	4.3	13.6	4.4	10.9	7.9	none	1.50
A	D	**Growth Industry Shares**	7.2	35.2	1.5	45.0	36.8	none	0.92
B	C	**Guardian Mutual Fund**	9.4	15.8	3.9	182.7	21.0	none	0.97
•C	•B	**Hamilton Income Fund**	—*	16.8	5.8	52.5	5.0	none	1.04
A+	F	**Hartwell Growth Fund**	4.7	53.7	none	8.7	77.6	none	2.70
A+	C	**Hartwell Leverage Fund**	9.0	67.0	none	22.3	237.9	none	2.50
C	D	**Herold Fund**	2.0	18.0	none	2.1	10.5	†	2.49
B	C	**Istel Fund**	7.0	11.7	4.2	132.1	5.8	none	0.94
B	F	**Ivest Fund**	3.1	30.4	2.6	161.4	18.0	none	1.00
C	F	**Ivy Fund**	1.5	21.4	3.5	55.5	32.5	none	1.26
A	•A	**Janus Fund**	—*	63.8	0.9	38.4	69.9	none	1.59
A	•C	**Lexington Growth Fund**	—*	30.2	2.9	19.0	18.8	none	1.39
C	D	**Lexington Research Fund**	5.6	21.8	2.9	96.0	10.9	none	1.01
B	F	**Loomis-Sayles Capital Development Fund**	7.1	51.0	1.9	70.7	41.7	none	0.76
C	D	**Mairs & Power Growth Fund**	5.0	11.7	3.6	14.3	10.9	none	0.94
C	F	**Manhattan Fund**	–4.6	20.5	2.4	62.4	17.7	none	1.70
C	D	**Horace Mann Fund**	5.9	29.3	1.8	70.1	9.7	none	0.81
A	C	**Mathers Fund**	10.7	20.8	4.4	223.8	40.1	none	0.65
B	•D	**W L Morgan Growth Fund**	—*	31.3	2.5	251.3	21.8	none	0.66
B	A	**Mutual Shares**	13.2	20.5	4.9	133.2	22.5	none	0.80
B	A	**Naess & Thomas Special Fund**	9.4	56.5	0.8	16.2	31.7	none	1.45
C	B	**National Aviation & Technology**	8.5	36.1	2.6	102.6	31.4	none	1.18
B	F	**National Industries Fund**	4.1	14.3	2.7	31.2	9.5	none	0.83
C	F	**Neuwirth Fund**	1.7	34.7	1.7	15.5	21.1	none	1.50
B	D	**Newton Growth Fund**	4.5	42.1	2.2	17.7	35.1	none	1.22
A	•C	**Nicholas Fund**	—*	43.4	2.7	63.4	32.9	none	1.06
•D	•D	**North Star Stock Fund**	—*	23.6	4.4	16.4	59.2	none	0.80
A	C	**Omega Fund**	7.8	33.4	0.9	36.5	22.1	none	1.50
D	D	**The One Hundred Fund**	0.6	36.7	1.1	13.2	17.9	none	1.68
D	B	**The One Hundred & One Fund**	4.4	13.4	5.4	1.1	0.0	none	2.00
B	D	**The One William Street Fund**	6.5	21.0	4.1	302.9	13.1	none	0.57
D	D	**Penn Square Mutual Fund**	7.1	20.7	5.1	160.6	9.2	none	0.65
B	D	**Pennsylvania Mutual Fund**	–1.2	49.1	2.0	37.2	10.4	none	1.84
C	C	**Pilot Fund**	5.0	35.1	2.3	63.9	261.0	none	1.31
D	C	**Pine Street Fund**	7.2	13.1	4.7	43.2	6.7	none	1.00
B	F	**T Rowe Price Growth Stock Fund**	3.6	15.1	3.6	1,028.4	11.9	none	0.49
A	•C	**T Rowe Price New Era Fund**[12]	—*	20.2	3.4	492.1	20.2	none	0.63
A+	D	**T Rowe Price New Horizons Fund**[13]	7.5	45.6	2.5	9[illegible]3.6	52.5	none	0.54
D	D	**PRO Fund**	1.3	17.2	3.9	[illegible]3.1	8.8	none	1.27
D	F	**Revere Fund**	–3.4	18.7	2.3	4.7	–4.1	none	2.50
C	C	**SAFECO Equity Fund**	8.1	22.0	4.8	37.1	15.6	none	0.61
B	D	**SAFECO Growth Fund**	6.3	32.8	3.2	46.5	33.2	none	0.60

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Investment results

Performance in UP markets	Performance in DOWN markets		Average annual total return 1968-81	Latest 12 months: return from capital growth	Latest 12 months: return from income dividends	Total assets 6/30/81 (millions)	Total assets % change '81 vs. '80	Maximum sales charge	Annual expenses per $100
		Standard & Poor's 500 stock average	5.7%	14.9%	4.9%				
		FORBES stock fund composite	5.8%	25.2%	3.4%				
		FORBES balanced fund composite	4.7%	3.0%	8.3%				
		FORBES bond and preferred stock fund composite	3.6%	–13.4%	12.5%				
		Stock funds (no load) Group averages	5.3%	27.3%	2.8%				
D	•B	**SAFECO Income Fund**	—*	15.7%	6.9%	$ 17.1	200.0	none	$0.81
C	D	**Schuster Fund**	4.2%	28.4	1.5	13.5	9.8	none	1.52
C	D	**Scudder Common Stock Fund**	4.9	19.7	3.6	157.3	17.6	none	0.75
•A	•C	**Scudder Development Fund**	—*	54.1	1.0	80.0	77.0	none	1.20
B	F	**Scudder Special Fund**	3.9	28.2	2.2	121.1	22.2	none	0.81
D	D	**Selected American Shares**	1.6	4.8	6.3	77.3	–8.4	none	0.89
D	D	**Selected Special Shares**	1.6	12.1	3.8	34.2	–2.8	none	1.03
•C	•A	**Sequoia Fund**	—*	26.5	3.8	113.1	38.4	none	1.20
B	A	**Sherman, Dean Fund**	6.0	3.4	none	8.0	6.7	none	1.61
D	F	**Steadman American Industry Fund Trust**	–4.5	19.6	none	15.3	4.8	none	3.30
D	C	**Steadman Investment Fund**	1.9	15.7	1.8	16.9	–0.6	none	2.20
C	C	**Steadman Oceanographic Tech & Growth Fund**	1.6	16.2	3.4	10.1	4.1	none	3.16
A+	D	**Stein Roe & Farnham Capital Opportunities Fund**	9.5	30.6	0.9	126.1	111.9	none	0.84
A	F	**Stein Roe & Farnham Stock Fund**	5.5	27.8	1.9	201.7	27.7	none	0.59
B	•C	**Tudor Fund**	—*	49.3	0.8	19.9	54.3	none	1.80
A+	D	**Twentieth Century Growth Investors**	14.2	63.2	none	255.9	223.1	none	1.24
A	A	**Twentieth Century Select Investors**	13.9	53.1	0.6	29.4	286.8	none	1.24
C	C	**Variable Stock Fund**	5.4	25.1	3.2	5.8	18.4	none	1.14
A+	C	**Weingarten Equity Fund**	10.7	36.6	0.7	46.7	53.6	none	1.40
C	B	**Windsor Fund**	9.8	27.6	5.3	976.8	29.1	none	0.64
		Stock funds (closed end) Group averages	7.9%	23.6%	4.4%			% prem(+) or disc(–)	
C	B	**The Adams Express Company**	9.2%	20.4%	6.2%	$307.7	18.4	–19.3	$0.48
B	A+	**ASA Limited**	19.2	–25.0	16.2	487.0	–25.0	–15.0	0.19
•C	•B	**Baker, Fentress & Co**	—*	24.2	3.6	278.0	23.3	–26.2	0.50
D	C	**Carriers & General Corp**	6.5	11.8	5.5	21.4	7.0	–6.5	1.24
B	F	**Central Securities**	5.8	32.2	6.4	71.8	17.5	–28.4	0.80
B	A	**Claremont Capital**	4.9	40.0	3.1	35.6	39.6	–25.3	1.18
C	F	**Consolidated Investment Trust**	4.3	10.6	5.2	45.6	2.9	–2.7	0.38
•D	•C	**Energy & Utility Shares**	—*	–5.6	10.1	10.5	–5.4	–8.0	1.55
A+	C	**General American Investors**	10.8	45.1	2.3	220.0	35.4	–5.9	1.32
•D	•C	**Highland Capital Corp**	—*	57.4	none	20.1	57.0	–38.7	3.25
C	A+	**The Japan Fund**	20.2	45.3	1.4	246.1	39.8	–25.1	0.72
B	D	**The Lehman Corp**	8.0	23.0	4.5	611.3	13.9	–9.5	0.43
B	B	**Madison Fund**	10.8	24.5	4.3	604.9	10.6	–22.0	0.89
A+	C	**Niagara Share Corp**	9.9	25.1	2.5	175.1	16.8	–5.3	0.85
D	F	**OTF Equities**	–7.5	–8.0	none	0.8	–11.1	–15.5	16.10
A+	B	**Petroleum & Resources Corp**	12.8	6.6	4.2	257.3	5.1	–11.5	0.40
•C	•A	**Source Capital**	—	24.3	6.3	222.5	10.7	–15.6	1.04
A+	•F	**Spectra Fund**	—*	56.9	none	3.7	54.2	–56.6	4.19
D	C	**Sterling Capital Corp**[14]	–4.3	45.4	1.3	17.4	45.0	–35.3	2.47
B	D	**Tri-Continental Corp**	7.8	22.7	5.1	845.0	18.5	–22.9	0.40
B	C	**U S & Foreign Securities**	7.3	19.4	4.7	167.4	16.5	–23.4	1.00
		Funds for investing abroad Group averages	9.5%	11.9%	3.9%			Maximum sales charge	
C	C	**Canadian Fund**	7.6%	8.4%	3.3%	$ 28.4	4.8	8.50%	$ 1.18
A	A+	**International Investors**	18.7	–11.6	8.5	266.6	8.0	8.50	0.88
C	F	**Keystone International Fund**	–0.5	17.4	4.6	37.9	3.3	8.50	0.78

•Fund rated for two periods only; maximum allowable rating A. *Fund not in operation for full period. [14] Formerly The Value Line Development Capital Corp.

1981 Fund Ratings

Performance			Investment results						
			Average annual total return 1968-81	Latest 12 months		Total assets		Maximum sales charge	Annual expenses per $100
in UP markets	in DOWN markets			return from capital growth	return from income dividends	6/30/81 (millions)	% change '81 vs. '80		
		Standard & Poor's 500 stock average	**5.7%**	**14.9%**	**4.9%**				
		FORBES stock fund composite	**5.8%**	**25.2%**	**3.4%**				
		FORBES balanced fund composite	**4.7%**	**3.0%**	**8.3%**				
		FORBES bond and preferred stock fund composite	**3.6%**	**–13.4%**	**12.5%**				
				Group averages					
		Funds for investing abroad	**9.5%**	**11.9%**	**3.9%**				
B	F	**Putnam International Equities**	2.8%	17.9%	3.9%	$ 42.0	7.7	8.50%	$1.57
D	B	**Scudder International Fund**	7.0	4.5	3.1	56.3	66.1	none	1.15
B	A+	**Templeton Growth Fund**	19.2	20.7	1.9	646.8	55.9	8.50	0.75
C	A	**Transatlantic Fund**	12.0	26.3	2.1	40.6	43.0	none	1.12
				Group averages					
		Balanced funds (load)	**5.0%**	**2.1%**	**8.4%**				
C	D	**American Balanced Fund**	4.9%	6.2%	7.2%	$ 96.7	–1.3	8.50%	$0.73
A	C	**American General Harbor Fund**[15]	7.2	17.1	5.6	129.4	20.9	8.50	0.75
C	C	**Axe-Houghton Fund B**	4.8	7.6	5.5	159.9	–5.1	8.00	0.70
C	F	**Boston Foundation Fund**	3.8	1.6	8.4	25.4	–2.7	8.50	1.51
D	B	**CG Income Fund**	2.7	–13.8	12.4	168.1	–14.0	7.50	0.70
B	F	**The Colonial Fund**	3.6	8.8	5.3	64.4	–4.3	8.50	0.87
C	C	**Composite Bond & Stock Fund**	5.8	7.8	6.8	20.0	8.1	7.00	0.92
B	D	**Eaton & Howard Balanced Fund**	4.3	3.4	6.2	71.7	–9.6	7.25	0.67
D	B	**Eaton & Howard Income Fund**	3.7	–15.5	12.2	19.0	–20.2	7.25	0.88
C	A	**Franklin Custodian Funds—Income Series Shares**	7.4	–7.7	10.8	36.0	–4.8	7.25	0.96
B	•F	**John Hancock Balanced Fund**	—*	–0.7	6.7	11.1	–0.9	8.00	1.15
•C	•C	**Income Fund of America**	—*	8.1	7.5	236.0	–0.5	8.50	0.67
B	D	**Investors Mutual**	4.3	2.4	7.1	1,209.8	–14.2	8.00	0.58
A+	C	**Kemper Total Return Fund**	11.0	29.5	4.7	100.3	80.4	8.50	0.64
D	C	**Keystone Custodian Funds—K-1**	5.1	2.3	8.4	65.8	16.7	8.50	0.64
D	B	**Lord Abbett Income Fund**	5.2	–7.8	11.0	30.8	–8.9	7.25	1.22
D	A	**Magna Income Trust**	4.2	–12.4	12.8	6.8	–8.1	7.25	1.36
A+	D	**Massachusetts Fund**	5.4	5.0	5.9	194.6	–1.8	8.50	0.57
•C	•D	**Mass Income Development Fund**	—*	6.0	7.7	188.7	–3.9	7.25	0.73
D	C	**Mutual of Omaha Income Fund**	4.5	–7.3	11.2	26.8	–15.0	8.00	1.01
B	D	**Nation-Wide Securities**	5.9	2.5	6.6	37.5	–8.5	8.50	1.02
		National Securities							
C	F	**Balanced Fund**	3.5	4.3	6.3	2.0	–4.8	7.25	0.75
A	C	**Dividend Fund**	7.5	17.5	5.9	94.3	7.9	7.25	0.73
C	B	**Income Fund**	7.2	8.3	7.7	55.6	–0.7	7.25	0.74
•D	•C	**Oppenheimer Income Fund of Boston**	—*	–3.7	9.0	36.6	–14.7	8.50	1.33
D	D	**Provident Fund for Income**	4.9	7.6	7.5	102.6	–9.5	7.25	0.87
•A	•D	**Putnam Convertible Fund**	—*	22.5	6.2	19.0	11.1	8.50	1.19
A	F	**The George Putnam Fund of Boston**	5.8	6.6	7.3	251.0	–1.4	8.50	0.58
D	B	**Putnam Income Fund**	3.0	–15.7	11.9	127.0	–21.5	6.75	0.79
D	B	**Sentinel Balanced Fund**	5.9	–1.4	8.2	11.4	–12.3	8.50	0.95
•D	•A	**Shearson Income Fund**	—*	–9.6	9.8	5.0	–16.7	6.50	1.30
C	C	**Sigma Trust Shares**	5.0	0.7	7.6	23.6	–2.5	8.50	1.02
A	•F	**SoGen International Fund**	—*	5.8	18.2	25.4	31.6	4.50	1.40
C	F	**Southwestern Investors Income Fund**	–4.1	–12.9	10.4	3.4	13.3	7.50	1.39
D	•B	**Transamerica Investors Fund**	—*	–12.5	10.0	4.0	–18.4	8.00	1.50
B	B	**Union Income Fund**	6.6	0.8	9.1	60.7	–7.6	7.25	0.64
•B	•F	**United Continental Income Fund**	—*	8.2	6.6	45.8	–5.0	8.50	0.89
A	D	**Vance, Sanders Investors Fund**	6.2	8.8	6.2	138.0	0.9	8.50	0.70

•Fund rated for two periods only; maximum allowable rating A *Fund not in operation for full period. [15]Formerly Harbor Fund.

1981 Fund Ratings

Performance			Investment results						
in UP markets	in DOWN markets		Average annual total return 1968-81	Latest 12 months		Total assets		Maximum sales charge	Annual expenses per $100
				return from capital growth	return from income dividends	6/30/81 (millions)	% change '81 vs. '80		
		Standard & Poor's 500 stock average	5.7%	14.9%	4.9%				
		FORBES stock fund composite	5.8%	25.2%	3.4%				
		FORBES balanced fund composite	4.7%	3.0%	8.3%				
		FORBES bond and preferred stock fund composite	3.6%	−13.4%	12.5%				
				Group averages					
		Balanced funds (no load)	3.4%	−1.0%	8.6%				
A	F	**Commerce Income Shares**	3.2%	5.7%	8.8%	$ 50.4	−0.2	none	$1.06
B	D	**Dodge & Cox Balanced Fund**	5.2	5.4	6.4	16.6	−0.6	none	0.76
•C	•A	**The Dreyfus Special Income Fund**	—*	1.3	8.8	72.2	−9.3	none	0.86
B	F	**Loomis-Sayles Mutual Fund**	4.0	3.2	6.6	76.4	−6.3	none	0.73
•D	•F	**Newton Income Fund**	—*	−11.0	9.7	5.3	−10.2	none	1.49
C	D	**Scudder Income Fund**	2.1	−16.2	13.1	52.7	−11.0	none	0.83
A+	F	**Stein Roe & Farnham Balanced Fund**	3.9	8.3	3.6	87.6	−4.4	none	0.64
A+	F	**Unified Mutual Shares**	3.5	9.0	5.5	8.1	3.9	none	1.32
•D	•B	**Wellesley Income Fund**	—*	−3.1	10.4	95.5	−11.7	none	0.63
B	D	**Wellington Fund**	4.9	4.4	7.8	572.3	−6.0	none	0.54
C	F	**Wisconsin Income Fund**	0.2	−18.4	13.4	10.6	−19.1	none	0.99
				Group averages				% prem(+) or disc(−)	
		Balanced funds (closed end)	—	22.8%	6.4%				
•A	•D	**American General Convertible Securities**	—*	29.1%	5.4%	$ 99.9	23.2	−9.8	$0.83
•A	•C	**Bancroft Convertible Fund**	—*	25.6	5.6	72.0	23.9	−14.8	1.20
•B	•C	**Castle Convertible Fund**	—*	16.8	7.9	28.8	12.9	−15.9	1.47
•B	•D	**Chase Convertible Fund of Boston**	—*	19.7	6.6	85.7	18.2	−9.9	0.92
				Group averages				Maximum sales charge	
Not rated		**Bond and preferred stock funds (load)**	4.3%	−13.0%	12.4%				
		American General Capital Bond Fund	—*	−15.9%	12.3%	$ 83.8	−25.0	8.50%	$0.90
		Axe-Houghton Income Fund	1.1%	−9.1	10.0	32.4	−15.6	8.00	0.99
		Colonial High Yield Securities	—*	−13.7	14.0	39.6	20.4	8.50	1.12
		Colonial Income Fund	—*	−17.4	13.4	160.1	−23.4	8.50	0.73
		Delchester Bond Fund	—*	−20.1	13.4	24.3	−15.9	8.50	0.83
		First Investors Fund for Income	—*	−8.6	12.8	569.2	−2.3	8.50	0.91
		Franklin Custodian—U.S. Govt Series	—*	−20.1	11.3	8.7	−44.9	7.25	0.94
		Investors Selective Fund	5.2	−17.6	13.1	517.8	−10.3	7.00	0.54
		Keystone Custodian Funds							
		B-1	4.8	−14.8	12.3	46.4	−22.8	4.25	0.30
		B-2	6.0	−6.6	12.0	73.4	37.7	8.50	0.64
		B-4	6.4	−4.8	12.5	383.2	−8.3	8.50	0.62
		Lord Abbett Bond Debenture Fund	—*	−2.7	9.9	174.5	−9.2	8.50	0.72
		National Securities							
		Bond Fund	2.9	−15.7	13.6	112.1	−15.8	7.25	0.73
		Preferred Fund	4.4	−6.0	10.4	3.0	−9.1	7.25	0.80
		Sentinel Bond Fund	—*	−16.4	12.9	8.7	−9.4	8.50	0.93
		United Bond Fund	3.9	−18.6	13.7	218.4	−17.1	8.50	0.52
				Group averages					
Not rated		**Bond and preferred stock funds (no load)**	2.2%	−14.1%	11.5%				
		Alpha Income Fund	—*	−17.2%	11.6%	$ 4.3	−10.4	none	$1.50
		Babson (D L) Income Trust	1.3%	−15.6	11.9	27.1	−13.4	none	0.75
		Fidelity Corporate Bond Fund	—*	−17.2	13.5	93.5	−11.3	none	0.71
		Fund for U S Govt Securities	—*	−19.8	10.5	52.9	−25.6	none	1.45
		Liberty Fund	−0.6	−13.1	12.7	8.4	−15.2	none	1.50
		Northeast Investors Trust	4.5	−17.2	13.3	127.0	−19.1	none	0.66
		Steadman Associated Fund	3.6	1.1	7.3	34.7	−8.9	none	1.80

•Fund rated for two periods only; maximum allowable rating A. *Fund not in operation for full period.

1981 Fund Ratings

		Investment results						
			Latest 12 months		Total assets			
		Average annual total return 1968-81	return from capital growth	return from income dividends	6/30/81 (millions)	% change '81 vs. '80	% prem(+) or disc(–)	Annual expenses per $100
	Standard & Poor's 500 stock average	5.7%	14.9%	4.9%				
	FORBES stock fund composite	5.8%	25.2%	3.4%				
	FORBES balanced fund composite	4.7%	3.0%	8.3%				
	FORBES bond and preferred stock fund composite	3.6%	–13.4%	12.5%				
			Group averages					
Not rated	**Bond and preferred stock funds (closed end)**	—	–13.6%	13.1%				
	American General Bond Fund	—*	–16.2%	12.3%	$160.3	–15.9	+1.1	$0.86
	Drexel Bond-Debenture Trading Fund	—*	–19.7	12.7	35.8	–19.4	+5.6	1.99
	Federated Income & Private Placement Fund	—*	–12.7	13.6	36.8	–12.6	–5.6	1.53
	Fort Dearborn Income Securities	—*	–21.9	13.1	69.4	–21.9	–8.0	0.79
	John Hancock Investors	—*	–14.3	13.3	102.6	–12.9	–8.9	0.74
	Independence Square Income Securities	—*	–19.0	13.2	24.2	–18.2	–1.1	1.10
	Lincoln National Direct Placement Fund	—*	2.1	12.2	50.8	2.0	–21.6	0.97
	MassMutual Corporate Investors	—*	7.8	12.2	94.8	5.9	–35.0	1.11
	MassMutual Income Investors	—*	–15.8	13.4	101.6	–15.8	–6.2	1.10
	Mutual of Omaha Interest Shares	—*	–15.1	13.1	69.5	–13.7	–3.4	0.82
	Paul Revere Investors	—*	–8.3	12.7	36.5	–9.0	–20.2	1.16
	St Paul Securities	—*	–16.8	12.5	86.8	–16.8	–3.0	0.90
	Transamerica Income Shares	—*	–19.3	13.0	85.3	–19.2	–1.2	0.70
	USLIFE Income Fund	—*	–17.5	14.4	41.2	–17.4	–7.7	1.28
	Vestaur Securities	—*	–17.0	15.1	60.5	–16.9	–3.6	1.00
			Group averages				Maximum sales charge	
Not rated	**Exchange funds**	6.0%	22.8%	3.4%				
	Capital Exchange Fund	6.3%	21.9%	3.3%	$63.3	16.2	none	$0.64
	Depositors Fund of Boston	5.0	21.0	3.3	55.7	11.0	none	0.65
	Diversification Fund	5.8	19.9	3.5	59.4	10.6	none	0.64
	Exchange Fund of Boston	6.1	21.8	3.4	50.3	11.0	none	0.65
	Federal Street Fund	6.4	24.2	3.1	249.4	18.2	none	0.55
	Fidelity Congress Street Fund[16]	5.7	20.8	3.8	48.5	10.7	none	0.69
	Fiduciary Exchange Fund	6.5	28.4	3.0	47.7	17.2	none	0.67
	Second Fiduciary Exchange Fund	6.0	24.4	3.6	64.9	15.3	none	0.64
Kind of shares			Group averages				% prem(+) or disc(–)	
	Dual purpose funds	1.0%	34.0%	13.2%				
Capital	**Gemini Fund**	8.9%	41.5%	none	$89.5	28.2	–15.8	$0.71
Income	**Gemini Fund**	—	—	21.0%			+29.6	
Capital	**Hemisphere Fund**	–11.6	68.9	none	21.3	9.2	+27.5	1.13
Income	**Hemisphere Fund**	—	—	10.1			–31.1	
Capital	**Income & Capital Shares**	–2.9	22.2	none	34.8	10.5	–11.0	0.75
Income	**Income & Capital Shares**	—	—	14.9			–6.2	
Capital	**Leverage Fund of Boston**	5.9	36.5	none	89.9	21.5	–8.0	0.59
Income	**Leverage Fund of Boston**	—	—	12.5			–5.5	
Capital	**Putnam Duofund**	3.0	24.1	none	40.7	9.7	–13.3	0.82
Income	**Putnam Duofund**	—	—	11.7			–7.5	
Capital	**Scudder Duo-Vest**	2.5	24.3	none	137.1	14.4	–8.2	0.67
Income	**Scudder Duo-Vest**	—	—	12.2			–7.7	
Capital	**Scudder Duo-Vest Exchange Fund**	1.4	20.2	none	23.4	5.9	–20.0	0.86
Income	**Scudder Duo-Vest Exchange Fund**	—	—	10.0			+10.3	
Type of fund	**New funds****	Date started					Maximum sales charge	
Bond	**Aetna Income Shares**	5/73	–14.6%	12.6%	$38.5	–2.8	none	$0.25
Bond	**Age High Income Fund**	5/79	–12.7	13.9	8.1	17.4	7.25%	1.18
Bond	**Alliance Bond Fund**	9/73	–17.6	13.3	14.3	–19.7	none	0.80

*Fund not in operation for full period. **Funds which were not offered to the public or whose assets did not exceed $2 million before January 11, 1973. [16]Formerly Congress Street Fund.

Investment results

Type of fund		Date started	Latest 12 months		Total assets		Maximum sales charge	Annual expenses per $100
			return from capital growth	return from income dividends	6/30/81 (millions)	% change '81 vs. '80		
	Standard & Poor's 500 stock average		14.9%	4.9%				
	FORBES stock fund composite		25.2%	3.4%				
	FORBES balanced fund composite		3.0%	8.3%				
	FORBES bond and preferred stock fund composite		–13.4%	12.5%				
	New funds**							
Exchange	**American General Exchange Fund**	9/76	14.7%	2.4%	$ 57.1	9.6	none	$0.78
Bond	**American General High Yield Investments**	11/78	–13.7	14.0	234.6	–6.6	6.75%	0.90
Bond	**American Investors Income Fund**	1/76	–1.9	12.3	16.0	18.5	none	1.09
Bond	**American National Bond Fund**	8/78	–11.5	11.4	3.3	–35.3	5.00	1.00
Stock	**American National Income Fund**	5/70	19.2	6.2	15.8	43.6	8.50	0.90
Stock	**Analytic Optioned Equity Fund**	7/78	9.1	7.1	6.4	255.6	none	1.50
Bond	**Bond Fund of America**	5/74	–14.4	13.1	164.7	–8.7	8.50	0.72
Bond	**Boston Company Income Fund**[17]	8/79	–8.9	8.0	2.6	–16.1	none	1.24
Bond(C)	**Bunker Hill Income Securities**	10/73	–18.6	13.6	40.5	–18.5	none	0.90
Bond	**California Fund for Inv In U S Govt Secs**	5/73	–12.0	10.6	5.5	–39.6	none	1.84
Bond	**Capital Preservation Treasury Note Trust**	6/80	–7.0	9.3	6.3	200.0	none	1.00
Bond	**Chancellor High Yield Fund**	5/79	–13.1	14.0	61.8	3.9	6.75	0.85
Stock	**Chancellor New Decade Growth Fund**	9/80	#	#	24.8	—	6.75	1.58
Exchange	**Chestnut Street Exchange Fund**	9/76	22.1	3.4	111.8	17.7	none	0.68
Bond(C)	**Circle Income Shares**	6/73	–18.2	12.7	24.0	–17.8	none	0.75
Stock(C)	**CL Assets**	1/73	NM	none	14.6	6.6	none	3.60
Bond(C)	**CNA Income Shares**	5/73	–17.6	14.2	45.4	–17.6	none	0.86
Stock	**Colonial Option Income Fund**	4/77	9.5	4.5	212.9	8.5	8.50	0.89
Stock	**Colonial Tax-Managed Trust**	11/78	12.1	none	100.7	34.6	8.50	1.01
Bond	**Composite Income Fund**	1/76	–20.4	11.8	3.3	–29.8	7.00	1.08
Balanced	**Convertible Yield Securities**	3/78	25.1	4.9	25.3	7.2	6.50	1.25
Balanced	**Country Capital Income Fund**	12/78	–12.9	10.4	3.2	–3.0	5.00	1.50
Bond(C)	**Current Income Shares**	4/73	–19.7	12.9	31.2	–19.8	none	1.00
Balanced(C)	**Cyprus Corp**	6/73	–87.4	none	51.0	261.7	none	2.68
Bond	**Dreyfus A Bonds Plus**	6/76	–9.8	12.2	16.6	36.1	none	1.00
Stock	**Dreyfus Number Nine**	2/72	26.1	1.2	136.5	142.0	none	1.10
Stock	**Eagle Growth Shares**	10/71	24.1	3.8	5.0	31.6	8.50	1.58
Stock	**Eberstadt Energy-Resources Fund**	7/80	#	#	55.5	—	8.50	1.35
Stock	**Equitec Fund**	5/77	1.5	9.5	1.7	–29.2	†	2.00
Stock	**The Evergreen Total Return Fund**	9/78	19.3	5.3	16.6	37.2	none	1.26
Bond(C)	**Excelsior Income Shares**	5/73	–19.5	12.8	33.0	–19.3	none	0.89
Stock	**Farm Bureau Growth Fund**	7/71	17.3	5.1	39.1	20.7	8.50	0.85
Exchange	**Federated Exchange Fund**	1/77	28.0	2.6	103.6	18.1	none	0.95
Bond	**Federated High Income Securities**	12/77	–15.0	13.9	57.9	–6.0	6.50	1.14
Stock	**Federated Option Income Fund**	6/77	–5.0	11.0	15.7	–17.8	6.50	1.61
Stock	**Fidelity Asset Investment Trust**	10/78	33.8	0.6	23.9	102.5	none	1.50
Exchange	**Fidelity Exchange Fund**	12/76	18.9	3.4	117.6	13.2	none	0.64
Bond	**Fidelity Government Securities Fund Ltd**	4/79	–11.7	13.2	62.1	31.3	none	0.92
Bond	**Fidelity High Income Fund**[18]	11/77	–11.7	14.7	110.6	10.1	none	0.90
Bond	**Fidelity Thrift Trust**	5/75	–8.7	13.6	51.9	11.6	none	0.76
Bond	**Financial Bond Shares**	1/77	–9.6	12.4	3.4	–2.9	none	0.00
Stock	**Finomic Investment Fund**	6/72	59.5	0.5	3.2	255.6	none	1.50
Bond	**First Investors Bond Appreciation Fund**	5/78	8.4	9.3	39.5	24.6	7.25	1.14
Stock	**The 44 Wall Street Equity Fund**	10/80	#	#	28.0	—	8.50	NA
Inv. Abroad	**G T Pacific Fund**	1/77	49.2	0.2	14.7	59.8	†	1.50
Stock	**Gateway Option Income Fund**	12/77	11.3	3.9	20.2	36.5	none	1.50
Stock	**Gintel Fund**	6/81	#	#	13.1	—	none	NA
Stock	**Golconda Investors**	9/58	–0.9	none	7.7	51.0	none	2.00
Stock	**Edson Gould Fund**	12/76	41.6	none	4.3	22.9	6.50	2.47
Balanced	**GPM Fund**	2/46	16.3	4.9	2.4	–7.7	8.00	1.50

**Funds which were not offered to the public or whose assets did not exceed $2 million before January 11, 1973. #Fund not in operation for full period. †Fund not currently selling new shares; existing shares traded over-the-counter. [17]Formerly Johnston Income Fund. [18]Formerly Fidelity Aggressive Fund. (C) Closed-end investment company. NA Not available. NM Not meaningful.

1981 Fund Ratings

Investment results

Type of fund		Date started	Latest 12 months return from capital growth	Latest 12 months return from income dividends	Total assets 6/30/81 (millions)	Total assets % change '81 vs. '80	Maximum sales charge	Annual expenses per $100
	Standard & Poor's 500 stock average		14.9%	4.9%				
	FORBES stock fund composite		25.2%	3.4%				
	FORBES balanced fund composite		3.0%	8.3%				
	FORBES bond and preferred stock fund composite		–13.4%	12.5%				
	New funds**							
Stock	**The Guardian Park Avenue Fund**	6/72	17.8%	5.2%	$ 40.7	54.2	8.50%	$0.72
Bond	**John Hancock Bond Fund**	11/73	–17.7	12.6	286.6	9.2	8.00	0.83
Bond(C)	**John Hancock Income Securities**	2/73	–17.6	13.3	111.1	–17.6	none	0.75
Bond(C)	**Hatteras Income Securities**	4/73	–15.8	13.4	38.7	–15.9	none	0.96
Bond	**High Income Shares**	5/80	–11.5	14.3	18.0	414.3	7.25	1.16
Bond	**High Yield Securities**	9/77	–11.9	13.4	96.7	–15.4	6.50	0.98
Bond	**IDS Bond Fund**	10/74	–16.6	14.1	533.2	11.1	3.50	0.61
Bond	**INA High Yield Fund**	9/78	–14.2	14.8	45.6	–16.2	6.75	0.95
Bond(C)	**INA Investment Securities**	1/73	–19.0	13.1	62.3	–19.0	none	1.05
Specialized	**Income Price & Index Fund**	6/80	–24.5	13.6	19.0	–32.1	7.50	1.52
Stock	**InterCapital Dividend Growth Securities**	3/81	#	#	14.2	—	5.50	2.25
Bond	**InterCapital High Yield Securities**	9/79	–14.0	13.5	167.5	–16.4	5.50	0.78
Bond(C)	**InterCapital Income Securities**	4/73	–17.6	13.6	137.7	–17.6	none	0.74
Stock	**InterCapital Industry-Valued Securities**	3/80	16.2	3.5	16.3	61.4	5.50	1.46
Stock	**InterCapital Natural Resource Development Sec**	3/81	#	#	39.1	—	5.50	1.36
Bond	**Investment Quality Interest**	8/80	#	#	21.5	—	4.50	1.10
Bond	**JP Income Fund**	8/78	–19.0	12.4	26.6	5.6	8.00	0.72
Bond	**Kemper Fund for Govt Guaranteed Securities**	6/77	–21.1	12.8	9.5	2.2	4.00	0.85
Bond	**Kemper High Yield Fund**	1/78	–13.1	14.6	113.2	–0.7	6.75	0.81
Bond	**Kemper Income & Capital Preservation Fund**	4/74	–19.0	13.2	81.7	–20.2	6.00	0.60
Stock	**Kemper Option Income Fund**	6/77	16.4	2.8	69.5	4.2	8.50	0.88
Bond	**Lexington GNMA Income Fund**[19]	10/73	–18.3	—	4.8	–18.6	none	1.59
Stock	**Lindner Fund**	5/73	55.4	1.9	21.5	141.6	none	1.29
Stock	**Lord Abbett Developing Growth Fund**	10/73	48.1	1.0	83.6	82.9	8.50	1.00
Stock	**The Lowry Fund**	12/76	1.5	12.8	2.2	–8.3	†	1.50
Stock	**Mairs & Power Income Fund**	1/61	9.4	6.6	2.1	16.7	none	1.22
Bond	**Massachusetts Financial Bond Fund**	5/74	–15.9	13.0	172.3	–6.0	7.25	0.94
Bond	**Massachusetts Financial High Income Trust**	2/78	–13.6	14.7	120.8	36.5	7.25	1.07
Stock	**Medical Technology Fund**	8/79	45.6	none	15.1	287.2	none	1.88
Stock	**Merrill Lynch Basic Value Fund**	7/77	22.8	4.8	112.8	26.3	6.50	0.92
Stock	**Merrill Lynch Capital Fund**	10/73	23.8	6.8	120.8	22.9	6.50	0.78
Bond	**Merrill Lynch Corp Bond Fund High Income**[20]	11/78	–13.8	14.3	232.7	–13.6	4.00	NA
Bond	**Merrill Lynch Corp Bond Fund High Quality**	11/80	#	#	12.5	—	4.00	NA
Bond	**Merrill Lynch Corp Bond Fund Intermediate Term**	11/80	#	#	6.4	—	2.00	NA
Balanced	**Merrill Lynch Equi-Bond I Fund**	1/78	–4.8	5.9	11.7	–15.8	4.00	1.50
Inv. Abroad	**Merrill Lynch Pacific Fund**	11/76	50.2	1.8	20.1	76.3	6.50	1.72
Stock	**Merrill Lynch Special Value Fund**	5/78	36.5	2.2	55.8	25.4	6.50	1.26
Bond	**Midwest Income Trust Intermediate Term Govt Fund**	2/81	#	#	3.3	—	none	0.90
Specialized	**Money Market/Options Investment**	3/76	8.1	10.6	2.4	–11.1	none	1.59
Bond(C)	**Montgomery Street Income Securities**	2/73	–20.0	12.9	121.2	–20.0	none	0.79
Bond	**Monthly Income Shares**	3/74	–16.3	12.2	34.2	–22.8	8.50	0.99
Stock	**Mutual Benefit Fund**	1/71	13.3	4.5	22.6	11.3	8.50	0.85
Bond	**Mutual of Omaha America Fund**	10/73	–7.5	12.3	8.9	32.8	none	1.36
Stock	**Mutual Qualified Income Fund**	9/80	#	#	4.6	—	none	NA
Stock(C)	**Nautilus Fund**	2/79	145.1	2.5	17.7	38.3	none	1.51
Bond	**NEL Income Fund**	11/73	–14.8	12.7	27.5	–21.7	8.00	0.99
Stock	**New Perspective Fund**	5/73	19.8	3.5	474.6	22.5	8.50	0.76
Bond	**North Star Bond Fund**	8/77	–14.5	10.8	6.9	9.5	none	1.00
Stock	**North Star Regional Fund**	5/80	34.0	1.9	13.1	773.3	none	1.00

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1981 Fund Ratings

Type of fund		Date started	Investment results Latest 12 months return from capital growth	Investment results Latest 12 months return from income dividends	Total assets 6/30/81 (millions)	Total assets % change '81 vs. '80	Maximum sales charge	Annual expenses per $100
	Standard & Poor's 500 stock average		**14.9%**	**4.9%**				
	FORBES stock fund composite		**25.2%**	**3.4%**				
	FORBES balanced fund composite		**3.0%**	**8.3%**				
	FORBES bond and preferred stock fund composite		**–13.4%**	**12.5%**				
	New funds**							
Stock	**Nova Fund**	6/80	46.1%	0.2%	$ 9.2	1,433.3	none	$2.00
Stock	**Oppenheimer Directors Fund**	12/78	39.3	1.2	43.4	141.1	7.50%	1.40
Bond	**Oppenheimer High Yield Fund**	8/78	–14.0	14.0	117.5	2.9	6.75	1.00
Stock	**Oppenheimer Option Income Fund**	10/77	17.9	4.5	57.5	–5.6	8.50	1.71
Stock	**Oppenheimer Special Fund**	1/73	28.5	1.9	232.5	158.9	8.50	1.00
Bond(C)	**Pacific American Income Shares**	3/73	–16.7	13.1	66.4	–16.7	none	0.81
Stock	**Partners Fund**	7/68	20.6	4.1	61.1	39.8	none	1.32
Stock	**Pax World Fund**	8/71	3.7	5.2	4.2	40.0	none	1.60
Balanced	**Phoenix-Chase Balanced Fund Series**	1/81	#	#	52.8	—	8.50	0.89
Stock	**Phoenix-Chase Growth Fund Series**	7/80	#	#	39.4	—	8.50	1.07
Bond	**Phoenix-Chase High Yield Fund**	7/80	#	#	10.1	—	7.00	0.84
Stock	**Phoenix-Chase Stock Fund Series**	2/81	#	#	27.3	—	8.50	1.44
Bond	**Pioneer Bond Fund**	10/78	–16.3	12.6	7.5	11.9	8.50	0.40
Bond	**Pliyield Fund**	9/75	–15.7	13.0	3.3	–19.5	8.50	1.95
Stock(C)	**Precious Metals Holdings**	2/74	–22.0	13.5	66.7	–22.8	none	1.28
Inv. Abroad	**T Rowe Price International Fund**	5/80	13.5	4.3	63.0	425.0	none	1.10
Bond	**T Rowe Price New Income Fund**[21]	10/73	–14.8	13.3	352.1	–10.3	none	0.61
Bond	**PRO Income Fund**	7/74	–16.8	11.9	20.6	–12.0	none	1.15
Bond	**Putnam High Yield Trust**	1/78	–12.0	13.6	275.0	2.5	6.75	0.74
Stock	**Putnam Option Income Trust**	6/77	16.0	4.3	92.0	10.7	8.50	0.96
Stock	**Qualified Dividend Portfolio I**	12/75	12.1	7.6	20.9	10.0	none	0.80
Bond	**Qualified Dividend Portfolio II**	12/75	–13.5	12.2	16.6	–19.4	none	0.80
Stock	**Quasar Associates**	8/68	59.5	none	18.7	259.6	none	1.24
Stock	**The Rainbow Fund**	8/67	24.0	none	2.1	10.5	none	2.85
Bond	**St Paul Income Fund**	3/73	–5.3	11.0	8.8	31.3	6.00	1.18
Bond	**Security Bond Fund**	12/70	–12.3	12.8	26.0	–1.9	2.75	0.85
Stock	**Sierra Growth Fund**	2/57	15.4	1.9	4.1	5.1	none	2.02
Bond	**Sigma Income Shares**	11/74	–19.3	12.1	15.2	–30.3	8.50	0.77
Bond(C)	**State Mutual Securities**	2/73	–16.0	13.7	75.7	–16.0	none	1.10
Exchange	**State Street Exchange Fund**	12/76	19.6	3.0	118.3	16.6	none	0.87
Bond	**SteinRoe Bond Fund**	12/78	–14.8	12.6	15.4	32.8	none	0.80
Stock	**SteinRoe Special Fund**	7/67	43.2	1.5	65.6	68.6	none	0.95
Stock	**SteinRoe Universe Fund**	10/80	#	#	121.7	—	none	1.13
Stock	**Strategic Investments Fund**	2/75	–32.0	19.5	22.2	18.1	8.50	1.19
Stock	**Stratton Growth Fund**	10/72	24.8	2.6	7.3	25.9	none	1.76
Stock	**Sun Growth Fund**	8/71	12.6	3.9	11.3	11.9	8.50	1.09
Stock	**Tax-Managed Fund for Utility Shares**	4/78	–4.4	none	150.3	–8.3	8.50	1.26
Stock	**Templeton World Fund**	1/78	22.7	2.2	559.4	88.6	8.50	0.86
Bond	**Triangle Income Fund**	7/80	#	#	68.8	—	6.50	0.92
Stock	**Trustees' Commingled Equity Fund**	1/80	21.0	5.2	84.1	141.0	none	0.79
Stock	**Unified Accumulation Fund**	4/78	12.9	none	2.0	0.0	none	3.77
Stock	**Unified Growth Fund**	9/70	27.2	3.4	4.8	84.6	none	1.39
Bond	**United High Income Fund**	7/79	–15.1	14.9	160.8	55.2	8.50	0.92
Stock	**United Services Fund**	6/70	–27.2	18.1	77.9	1.3	none	0.80
Exchange	**Vance, Sanders Exchange Fund**	6/76	22.1	2.4	139.7	15.0	none	0.81
Bond	**Vance, Sanders Income Fund**	6/73	–12.7	11.1	10.6	–16.5	8.50	0.96
Bond	**Vanguard Fixed Income Secs-GNMA**	6/80	–17.5	12.4	25.3	NM	none	0.65
Bond	**Vanguard Fixed Income Secs-High Yield**	12/78	–11.9	14.2	14.1	151.8	none	0.76
Bond	**Vanguard Fixed Income Secs-Invest Grade**	7/73	–14.2	12.1	36.2	–20.4	none	0.76
Stock	**Vanguard Index Trust**[22]	8/76	14.4	5.0	102.5	19.5	none	0.35
Balanced	**Venture Income (+) Plus**	5/80	–10.6	12.7	9.3	389.5	8.50	1.50

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1981 Fund Ratings

Portfolio avg. maturity (days)		Date started	Investment results Latest 12 months return from capital growth	Investment results Latest 12 months return from income dividends	Total assets 6/30/81 (millions)	Total assets % change '81 vs. '80	Minimum initial investment	Annual expenses per $100
	Standard & Poor's 500 stock average		**14.9%**	**4.9%**				
	FORBES stock fund composite		**25.2%**	**3.4%**				
	FORBES balanced fund composite		**3.0%**	**8.3%**				
	FORBES bond and preferred stock fund composite		**–13.4%**	**12.5%**				
	Money market funds†							
26	**Alliance Capital Reserves**	7/78	—	13.4%	$1,269.4	98.3	none	$0.78
26	**Alliance Government Reserves**	7/79	—	12.5	72.6	23.9	none	0.96
22	**American General Reserve Fund**	7/74	—	14.0	213.9	254.1	$1,000	0.84
28	**American Liquid Trust**	7/75	—	13.5	291.6	31.1	1,000	0.75
28	**D L Babson Money Market Fund**	3/80	—	13.6	46.0	721.4	1,000	0.75
16	**Birr Wilson Money Fund**	3/81	—	#	82.8	—	3,000	0.80
19	**Boston Company Cash Management Fund[23]**	8/79	—	13.0	150.4	90.9	2,500	0.72
91	**Calvert Tax-Free Reserves-Money Market Portfolio[24]**	4/81	—	#	12.3	—	2,000	NA
13	**Capital Preservation Fund**	10/72	—	12.4	1,100.8	49.8	1,000	1.04
9	**Carnegie Government Securities Fund**	4/80	—	13.2	41.6	–3.7	1,000	1.00
32	**Cash Equivalent Fund**	3/79	—	13.8	2,531.6	171.2	1,000	0.60
15	**Cash Management Trust of America**	11/76	—	13.2	492.0	64.8	5,000	0.54
26	**Cash Reserve Management**	1/77	—	13.8	5,340.2	95.7	10,000	0.54
20	**Centennial Capital Cash Management Trust**	7/74	—	13.4	55.4	–39.9	1,000	0.95
46	**Centennial Tax Exempt Fund[24]**	1/81	—	#	2.4	—	5,000	0.75
21	**CG Money Market Fund**	1/75	—	14.0	162.3	111.1	300	0.52
70	**Chancellor Tax-Exempt Daily Income Fund[24]**	8/79	—	5.4	58.1	–32.6	2,500	0.98
30	**CMA Money Trust**	9/77	—	13.1	7,460.6	261.9	none	0.51
24	**Columbia Daily Income Company**	11/74	—	13.2	659.9	90.0	1,000	0.87
29	**Composite Cash Management**	11/79	—	13.6	213.0	167.6	1,000	0.95
24	**Current Interest**	6/74	—	13.2	1,083.7	123.7	1,000	0.69
29	**Daily Cash Accumulation**	7/78	—	13.6	4,132.2	86.2	2,500	0.52
32	**Daily Income Fund**	7/74	—	13.9	707.2	32.0	5,000	0.69
30	**Delaware Cash Reserve**	6/78	—	13.7	1,327.3	144.4	1,000	0.84
17	**Dollar Reserves**	6/80	—	14.2	47.1	1,675.0	1,000	0.75
26	**Dreyfus Liquid Assets**	1/74	—	13.3	5,926.9	77.7	2,500	0.69
5	**Dreyfus Money Market Instru Govt Sec Series**	5/79	—	12.6	168.0	5.7	50,000	0.45
26	**Dreyfus Money Mkt Instru Money Mkt Series**	4/75	—	13.4	1,876.3	25.7	50,000	0.50
84	**Dreyfus Tax Exempt Money Market Fund[24]**	8/81	—	#	146.4	—	2,500	0.50
28	**Eaton & Howard Cash Management Fund**	1/75	—	13.6	196.0	81.2	1,000	0.65
19	**EGT Money Market Trust**	4/81	—	#	58.7	—	5,000	NA
24	**Equitable Money Market Account**	10/80	—	#	176.1	—	2,500	[illegible]
73	**Federated Tax-Free Trust[24]**	3/79	—	5.3	1,367.1	111.2	25,000	0.45
32	**Fidelity Cash Reserves**	5/79	—	13.3	2,103.7	163.7	1,000	0.98
35	**Fidelity Daily Income Trust**	5/74	—	13.3	3,295.4	–1.5	10,000	0.41
31	**Fidelity Money Market Trust Domestic Portfolio**	5/79	—	13.2	482.3	68.7	250,000	0.42
8	**Fidelity Money Market Trust U S Govt Portfolio**	5/79	—	13.3	530.2	112.4	250,000	0.42
1	**Fidelity Money Market Trust U S Treasury Portfolio**	4/81	—	#	31.9	—	250,000	0.42
65	**Fidelity Tax-Exempt Money Market Trust[24]**	1/80	—	5.3	785.5	96.4	20,000	0.43
15	**Financial Daily Income Shares**	3/76	—	14.4	225.3	144.1	1,000	0.56
24	**First Investors Cash Management Fund**	10/78	—	13.8	434.2	136.1	1,000	0.80
36	**First Variable Rate Fund for Govt Income**	12/76	—	13.2	809.2	88.6	2,000	0.97
5	**Franklin Federal Money Fund**	5/80	—	12.8	43.8	188.2	500	0.50
16	**Franklin Money Fund**	1/76	—	13.5	707.2	224.4	500	0.77
6	**Fund for Government Investors**	3/75	—	12.8	717.3	62.1	2,500	0.70
13	**Government Investors Trust**	7/79	—	13.5	286.4	180.0	2,000	1.17
27	**Gradison Cash Reserves**	5/76	—	13.4	517.2	68.3	1,000	0.78
27	**John Hancock Cash Management Trust**	10/79	—	13.5	355.5	231.6	1,000	0.85
30	**IDS Cash Management Fund**	10/75	—	13.7	799.8	162.7	2,500	0.59
75	**IDS Tax-Free Money Fund[24]**	8/80	—	#	17.0	—	10,000	0.45
31	**INA Cash Fund**	11/79	—	13.4	453.8	68.6	1,000	0.85
31	**InterCapital Liquid Asset Fund**	9/75	—	13.4	7,115.6	81.8	5,000	0.47
63	**InterCapital Tax-Free Daily Income Fund[24]**	2/81	—	#	47.7	—	5,000	0.61

†All funds are no-load; however special fees may apply in some cases. #Fund not in operation for full period. [23]Formerly Johnston Cash Management Fund. [24]Tax-exempt fund. NA not available.

1981 Fund Ratings

Portfolio avg. maturity (days)		Date started	Investment results Latest 12 months return from capital growth	 return from income dividends	Total assets 6/30/81 (millions)	 % change '81 vs. '80	Minimum initial investment	Annual expenses per $100
	Standard & Poor's 500 stock average		14.9%	4.9%				
	FORBES stock fund composite		25.2%	3.4%				
	FORBES balanced fund composite		3.0%	8.3%				
	FORBES bond and preferred stock fund composite		–13.4%	12.5%				
	Money market funds†							
30	**E D Jones & Co Daily Passport Cash Trust**	5/80	—	13.1%	$ 433.3	5,184.2	$5,000	$0.94
33	**Kemper Money Market Fund**	11/74	—	13.8	1,927.4	96.1	1,000	0.58
26	**Legg Mason Cash Reserve Trust**	10/78	—	13.2	225.7	105.4	5,000	0.89
19	**Lexington Money Market Trust**	7/78	—	13.5	170.8	134.6	1,000	1.03
48	**Lexington Tax Free Daily Income Fund[24]**	10/77	—	6.6	6.0	252.9	1,000	0.51
22	**Liquid Capital Income**	11/74	—	13.6	1,662.7	97.5	1,000	0.66
24	**Liquid Green Trust**	11/80	—	#	41.0	—	1,000	0.98
25	**Lord Abbett Cash Reserve Fund**	7/79	—	13.4	291.4	63.1	1,000	0.94
31	**Massachusetts Cash Management Trust**	12/75	—	13.2	625.6	176.6	1,000	0.93
17	**Master Reserves Trust Government Portfolio**	2/80	—	13.0	19.1	37.4	250,000	0.54
16	**Master Reserves Trust Money Mkt Portfolio**	2/76	—	13.5	67.2	–43.6	250,000	0.60
13	**McDonald Money Market Fund**	5/81	—	#	113.3	—	5,000	NA
22	**Merrill Lynch Government Fund**	9/77	—	13.0	272.5	58.3	5,000	0.57
27	**Merrill Lynch Institutional Fund**	12/74	—	13.4	895.2	15.6	25,000	0.50
33	**Merrill Lynch Ready Assets Trust**	2/75	—	12.9	17,400.0	52.3	5,000	0.45
20	**Midwest Income Trust Short Term Govt Fund[25]**	12/74	—	12.5	176.8	47.1	1,000	1.00
35	**MIF/Nationwide Money Market Fund**	3/80	—	13.1	215.8	331.6	2,500	0.76
30	**Money Market Management**	1/74	—	13.0	401.4	45.4	1,000	1.02
29	**Money Shares**	1/78	—	12.7	18.3	165.2	1,000	1.11
28	**MoneyMart Assets**	6/76	—	13.7	2,976.2	70.4	1,000	0.53
27	**Morgan Keegan Daily Cash Trust**	12/80	—	#	54.1	—	5,000	1.00
77	**Municipal Cash Reserve Management[24]**	5/81	—	#	106.0	—	10,000	1.54
18	**Mutual of Omaha Cash Reserve Fund**	3/81	—	#	19.9	—	none	NA
21	**Mutual of Omaha Money Market Account**	7/79	—	13.7	299.3	148.4	2,500	0.72
27	**National Liquid Reserves**	8/74	—	13.4	1,700.4	17.4	2,500	0.61
24	**NEL Cash Management Trust**	7/78	—	13.2	443.4	69.7	1,000	0.56
66	**Nuveen Tax-Exempt Money Market Fund[24]**	4/81	—	#	63.7	—	25,000	NA
22	**Oppenheimer Money Market Fund**	4/74	—	13.4	1,276.5	95.0	2,500	0.64
34	**Paine Webber CASHFUND**	5/78	—	13.2	4,172.8	79.9	5,000	0.52
18	**Phoenix-Chase Money Market Fund**	7/81	—	#	18.7	—	1,000	0.75
29	**Plimoney Fund**	3/80	—	13.0	35.8	153.9	1,000	1.05
19	**T Rowe Price Prime Reserve Fund**	3/76	—	13.9	2,433.7	116.3	1,000	0.65
79	**T Rowe Price Tax-Exempt Money Fund[24]**	4/81	—	#	39.9	—	1,000	NA
37	**Putnam Daily Dividend Trust**	9/76	—	13.3	297.1	94.6	1,000	0.77
21	**The Reserve Fund**	11/71	—	13.8	2,840.2	46.2	1,000	0.76
18	**St Paul Money Fund**	11/79	—	13.6	139.9	127.1	3,000	0.80
22	**Scudder Cash Investment Trust**	7/76	—	13.7	963.6	370.1	1,000	0.72
165	**Scudder Tax Free Money Fund[24]**	1/80	—	5.5	118.7	78.2	1,000	0.56
19	**Security Cash Fund**	10/80	—	#	57.5	—	1,000	0.32
27	**Selected Money Market Fund**	10/77	—	13.2	56.5	64.2	1,000	0.81
29	**Shearson Daily Dividend**	6/79	—	13.7	3,996.8	103.9	5,000	0.64
29	**Shearson Government and Agencies**	10/80	—	#	162.8	—	5,000	0.76
14	**Short-Term Yield Securities**	5/78	—	13.4	98.1	194.6	1,250	1.00
7	**Sigma Government Securities Fund**	9/80	—	#	2.3	—	500	0.82
9	**Sigma Money Fund**	9/80	—	#	9.2	—	500	0.80
18	**Steadman Federal Securities Fund**	2/80	—	10.3	4.0	–64.9	500	1.20
20	**SteinRoe Cash Reserves**	10/76	—	13.5	612.7	61.8	5,000	0.70
73	**The Tax Free Money Fund[24]**	4/81	—	#	52.4	—	10,000	NA
29	**Transamerica Cash Fund**	8/80	—	#	186.0	—	5,000	NA
30	**Trust for Cash Reserves**	2/80	—	13.0	149.6	223.8	5,000	0.99

†All funds are no-load; however special fees may apply in some cases. #Fund not in operation for full period. [24]Tax-exempt fund. [25]Formerly Midwest Income Investment Co. NA Not available.

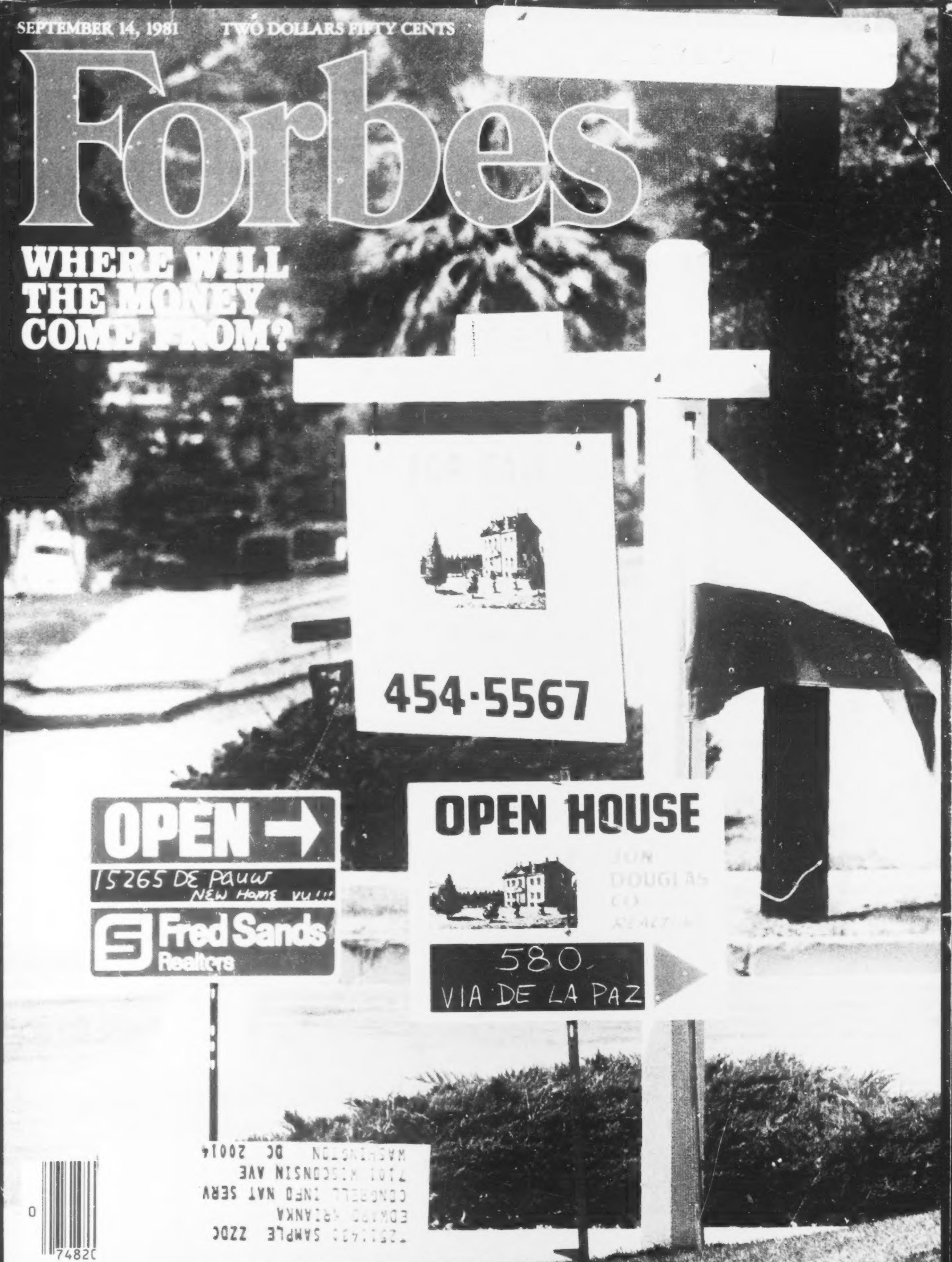
Portfolio avg. maturity (days)		Date started	Investment results: Latest 12 months: return from capital growth	Investment results: Latest 12 months: return from income dividends	Total assets: 6/30/81 (millions)	Total assets: % change '81 vs. '80	Minimum initial investment	Annual expenses per $100
	Standard & Poor's 500 stock average		14.9%	4.9%				
	FORBES stock fund composite		25.2%	3.4%				
	FORBES balanced fund composite		3.0%	8.3%				
	FORBES bond and preferred stock fund composite		–13.4%	12.5%				
	Money market funds†							
16	**Union Cash Management Fund**	1/77	—	14.2%	$635.5	103.6	$1,000	$0.61
23	**United Cash Management**	8/79	—	13.7	332.2	134.1	1,000	1.01
25	**The Value Line Cash Fund**	4/79	—	14.3	249.3	267.7	1,000	0.77
31	**Vanguard Money Market Trust**	6/75	—	13.6	744.3	147.3	3,000	0.40
47	**Vanguard Muni Bond-Money Market[24]**	5/80	—	5.1	47.0	1,466.7	3,000	0.45
184	**Vanguard Muni Bond-Short Term[24]**	9/77	—	5.7	175.2	–4.2	3,000	0.45
24	**Webster Cash Reserve**	8/79	—	13.5	955.1	100.7	5,000	0.64
22	**Ziegler Money Market Trust**	4/81	—	#	27.0	—	3,000	NA
	Municipal bond funds						Maximum sales charge	
	Alpha Tax-Exempt Bond Fund	1/77	–21.2%	9.3%	$ 3.1	24.0	none	$1.20
	American General Municipal Bond Fund	11/76	–20.3	9.5	21.3	–10.1	4.75%	0.80
	D L Babson Tax-Free Income Fund Long Term	2/80	–21.9	9.1	2.1	133.3	none	0.75
	Bullock Tax-Free Shares	2/77	–20.7	9.4	20.3	4.6	4.75	1.04
	CG Municipal Bond Fund	3/77	–18.7	9.2	47.4	8.7	7.50	0.77
	Chancellor High Yield Municipals	6/80	–12.8	10.0	37.0	39.1	4.50	0.91
	Composite Tax-Exempt Bond Fund	1/77	–21.4	9.0	2.1	–27.6	none	1.10
	DMC Tax-Free Income Trust–Pennsylvania	3/77	–22.3	9.0	23.5	–13.0	4.50	0.81
	Dreyfus Tax Exempt Bond Fund	10/76	–20.6	9.3	804.6	–5.7	none	0.76
	Federated Tax-Free Income Fund	10/76	–20.8	8.8	40.7	–20.5	none	1.48
	Fidelity High Yield Municipals	12/77	–18.2	9.4	184.1	–7.9	none	0.65
	Fidelity Limited Term Municipals	4/77	–13.8	7.1	57.2	–14.8	none	0.60
	Fidelity Municipal Bond Fund	8/76	–22.4	9.1	416.8	–22.1	none	0.61
	First Investors Tax Exempt Fund	8/77	–15.8	8.7	32.5	29.5	7.25	1.50
	Franklin Tax-Free Income Fund	2/77	–20.3	10.7	7.0	268.4	4.00	1.00
	John Hancock Tax-Exempt Income Trust	1/77	–22.3	8.9	19.1	40.4	8.00	1.14
	IDS High Yield Tax-Exempt Fund	5/79	–16.8	10.1	215.3	76.6	4.00	0.61
	IDS Tax-Exempt Bond Fund	12/76	–21.9	8.7	148.2	–3.4	4.00	0.65
	InterCapital Tax Exempt Securities	3/80	–13.4	9.4	45.9	16.2	4.00	0.87
	Kemper Municipal Bond Fund	4/76	–18.5	9.6	174.7	–16.9	4.75	0.60
	Keystone Tax Free Fund	1/78	–18.0	10.2	15.2	67.0	4.00	0.59
	Merrill Lynch Muni Bd Fd High Yield Portfolio	11/79	–11.8	10.2	71.1	246.8	4.00	0.77
	Merrill Lynch Muni Bd Fd Insured Portfolio	11/77	–18.1	9.7	81.9	33.4	4.00	0.97
	Merrill Lynch Muni Bd Fd Ltd Maturity Portfolio	11/79	–2.3	6.8	224.2	8.3	1.00	0.53
	MFS Managed Municipal Bond Trust	10/76	–9.0	8.9	90.4	36.6	4.75	0.84
	Mutual of Omaha Tax-Free Income Fund	1/77	–20.1	10.2	29.0	1.8	8.00	0.91
	Natl Securities Tax Exempt Bonds	11/76	–22.7	9.2	14.3	–11.7	6.00	0.80
	NEL Tax Exempt Bond Fund	5/77	–21.5	10.3	11.4	14.0	4.50	0.78
	Nuveen Municipal Bond Fund	11/76	–17.5	9.0	132.9	6.6	none	0.75
	Oppenheimer Tax-Free Bond Fund	10/76	–16.3	9.0	30.9	–19.3	none	1.01
	Pennsylvania Tax-Free Income Trust	2/77	–20.8	8.4	5.7	–27.9	4.50	1.40
	T Rowe Price Tax-Free Income Fund[26]	11/76	–13.1	9.2	303.8	21.8	none	0.71
	Putnam Tax Exempt Income Fund	11/76	–13.7	9.0	33.0	–5.2	4.75	0.75
	Scudder Managed Municipal Bonds	10/76	–20.0	9.7	124.1	–6.5	none	0.75
	Selected Tax-Exempt Bond Fund	10/77	–22.1	9.6	2.1	0.0	none	0.49
	Shearson Managed Municipals	3/81	#	#	33.4	—	5.00	1.24
	SteinRoe Tax-Exempt Bond Fund	2/77	–19.3	9.5	45.5	32.7	none	0.80
	Tax-Exempt Bond Fund of America	10/79	–13.3	8.4	14.3	83.3	4.75	1.00
	United Municipal Bond Fund	11/76	–22.8	9.8	37.0	20.5	4.00	0.88
	Vance, Sanders Municipal Bond Fund	3/78	–22.1	8.6	4.6	9.5	3.75	0.60
	Vanguard Muni Bond-High Yield	12/78	–16.2	9.9	39.3	87.1	none	0.45
	Vanguard Muni Bond-Intermediate Term	9/77	–18.0	8.2	26.8	38.1	none	0.45
	Vanguard Muni Bond-Long Term	9/77	–20.0	9.6	73.1	48.9	none	0.45

†All funds are no-load; however, special fees may apply in some cases. #Fund not in operation for full period. [24]Tax-exempt fund. [26]Formerly Rowe Price Tax-Free Income Fund. NA Not available.

SEPTEMBER 14, 1981 TWO DOLLARS FIFTY CENTS

Forbes

WHERE WILL THE MONEY COME FROM?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Forbes

September 14, 1981
Volume 128,
Number 6

Forbes
WHERE WILL THE MONEY COME FROM?
FOR SALE
454-5567
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OPEN HOUSE

150 Cover Story: Welcome, American homeowner, to the bracing world of an unsheltered mortgage market.

34 Fertilizer: "As soon as The Street starts to like these guys they move like a house afire."

46 Fraternal Organizations: The secret handshakes may be gone. But business is business.

31 Canada:
Go North, Young Man
With the Canadian dollar hovering near its lowest level in a half-century, big money is flowing across the border.

33 Companies:
MuniciCorp
How *do* they do it, when municipal bonds are in the doldrums?

34 Fertilizer:
Life After Elf
For IMC and Williams Cos., it's scary.

36 Post Offices:
Why Not Own Your Own?
It's a great buy—if you know your seller.

37 Companies:
Hunt Oil Co.
Ray Hunt is the poor Hunt—he is worth only $1 billion. He also may be the smartest Hunt of this generation.

42 Companies:
Standard Oil Of California
Why does "the healthiest oil company in the world" sell at 24 cents on the dollar?

44 Companies:
Triad Systems Corp.
The power of a simple idea.

46 Insurance:
Gimme That Old-Time Fraternity
In the life insurance game, it's worth millions.

55 Ethical Drugs:
The 24-Hour Flu?
The industry's profits ailment may well be only that.

60 Oil And Gas:
Governments And Golden Eggs
A slowdown in the North Sea.

64 Profiles:
Detroit's Max Fisher
Bernard Baruch without the park bench.

70 Labor:
Eroding The Master Contract
"Givebacks" under the economy's hammer.

93 Companies:
Centex Corp.
"It wouldn't break my heart to have Centex known for its oil before its buildings," says Frank Crosse. That's not heresy, just the plain truth.

98 As I See It:
Thomas Sowell
Straight talk from the author of *Ethnic America*.

104 As I See It:
Charles P. Kindleberger
MIT's renowned economic historian says the U.S. is copping out.

114 Housing:
Time-Shared Resort Homes
Beware. They may be the Eighties' equivalent of real estate investment trusts.

124 Taxing Matters:
The Mess In Foreign Tax Credits
Some encouraging signs it may be clearing up.

129 The Numbers Game:
When Things Turn Sour . . .
Watch how banks value their bond portfolios.

135 Companies:
Super Valu
Who's the right CEO for the 1980s? Not the incumbent—says the incumbent.

140 Housing:
Mobile Homes
That word "mobile" has always been the big stumbling block. At last, it's being overcome.

147 Companies:
The Kroger Co.
Can 250,000 consultants be wrong?

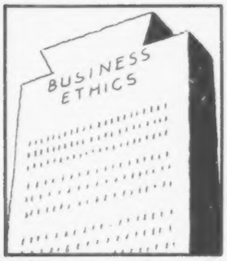
150 Cover Story:
Where Will The Money Come From?
After 50 years, government intervention in the credit markets on behalf of single-family housing has reached a dead end. A report on the new mortgage instruments now being shaped to fill the gap.

160 U.S. Business:
Drucker On "Business Ethics"
The term is a Casuist myth, and a dangerous one at that, argues the distinguished social scientist.

188 Companies:
TIE/Communications
Is that rosy glow sunrise—or sunset?

191 The Funds:
Investors Diversified Services,
Chancellor Management Group
Two chances to look beneath the surface.

114 *Time-Sharing Vacations: How to sell a resort home—25 times over.*



160 *Peter Drucker: Real ethics are "prudence and self-development."*

235 *Borden: A rose is a rose is a rose. But ROSE is something else again.*

199 Personal Affairs
All Savers Certificates; videotaping your home and possessions; executive stock options; teleconferencing; and stockbrokers, large and small.

208 The Up-And-Comers:
Billings Corp.,
Baldor Electric
Why Roger Billings insists on living on the thin edge; how a great idea caught on—after almost 60 years.

214 Companies:
Longview Fibre
Caught in Catch-22.

Faces Behind The Figures

215 John W. Teets,
Greyhound Corp.
215 Jacques Rostain,
European American Bank
215 Donald Seibert,
J.C. Penney Co.
218 James Beggs,
National Aeronautics & Space Administration
218 Gary C. Hudson,
GCH, Inc.
219 Ben W. Agee,
CP National Corp.
219 Floyd R. Greco,
Wear-Ever Aluminum
219 John Connelly,
Crown Cork & Seal
220 Eduardo Benet,
First National Bank of Greater Miami
220 Alan Fishman,
Chemical Bank
222 Frederick P. Stratton Jr.,
Briggs & Stratton
222 Robert W. Lillibridge,
U.S. Aircraft

230 Statistical Spotlight:
The Amex Nobody Knows
Take out energy stocks and what's left?

234 The Money Men:
Stephen Lieber
Buy at discount, sell at retail.

235 The Streetwalker:
Borden, Western Pacific
Elsie's not contented anymore, but will it make any difference? WPI is not a railroad anymore, but is it an opportunity?

Money And Investments

25
What's Ahead For Business
26
The Forbes Index
227
The Forbes/Wilshire 5000 Review

Columnists

237
Ben Weberman
238
Heinz H. Biel
240
John Train
242
Richard B. Hoey
243
Stanley W. Angrist
244
Ashby Bladen
246
Srully Blotnick

Departments

6
Side Lines
8
Trends
10
Follow-Through
14
Readers Say
19
Fact and Comment
22
Other Comments
250
Editorial Index
251
Flashbacks
252
Thoughts

Photos:
6, Eric Poggenpohl; 8, UPI; 12, Robin Lawrence; 31, 64, 66, Eric Smith/Liaison; 33, James Caccavo; 36, Phil Matt; 37, 38, Shelly Katz; 42, 140 top, Thomas Lea; 44, 98, 218 right, John McDermott; 58, 234, James Pozarik/Liaison; 60, J. Pavlovsky/Sygma; 93, 94, 213, Les Wollam; 108, Steve Liss/Liaison; 114, Steve Murray; 116, Marianne Carter/Black Star; 118, Nik Wheeler/Black Star; 123, Kim Penny; 135, 192, Craig Perman; 140 bottom, Robert Wiley/Camera 5; 147, 205, 220 bottom, Bill Kelly; 148, Bill Grimes/Black Star; 154, John Grossman; 159 top, Movie Star News; 159 bottom, Leroy Woodson Jr.; 188, Patrick Pagnano; 194, 215 center, Lawrence Barns; 200, Francois Bota; 208, Peter Calvin/Camera 5; 214, James Mason/Black Star; 215 right, Sigrid Estrada; 218 left, Jim Pickerell; 219 top, Robert Forbes; 220 top right, Susan Greenwood/Liaison; 222 top, Jim McHugh; 222 bottom, John Coster-Mullen

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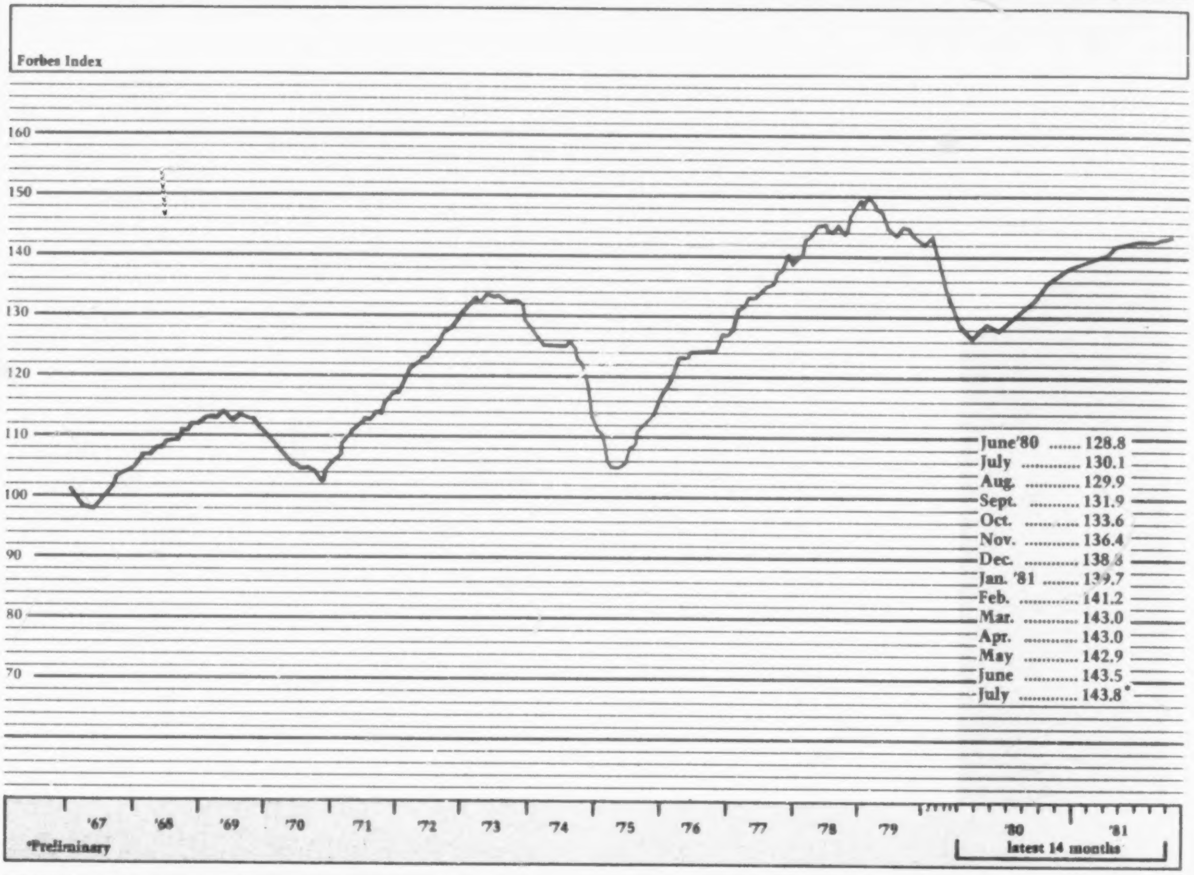
The Forbes Index



June'80	128.8
July	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.7
Feb.	141.2
Mar.	143.0
Apr.	143.0
May	142.9
June	143.5
July	143.8*

*Preliminary

The Forbes Index Components

A gain is a gain. A meager 0.2% boost puts the Forbes Index in the black for July. People may not have enough money to buy new automobiles, but they are spending their higher personal incomes at the retail counter. Both retail sales and personal income are up. Industrial production also increased, gaining a modest 0.3%. New housing starts, however, continue to drift lower.

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

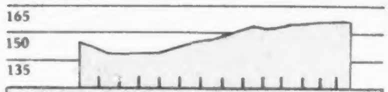
Total retail sales

New housing starts

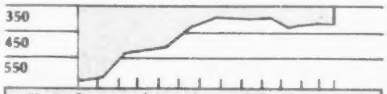
Personal income

The change in the amount of consumer installment debt outstanding

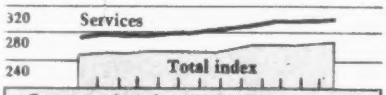
To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



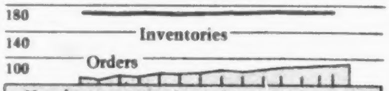
Industrial production index (1967=100) seasonally adjusted (Federal Reserve)



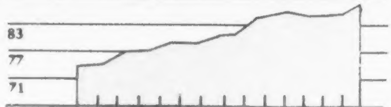
Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)



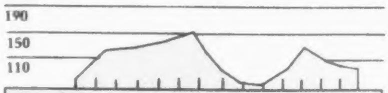
Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)



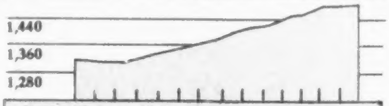
Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



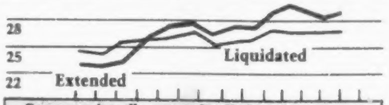
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)



New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

few boxes of Girl Scout cookies. "Historically, people would buy their fraternal plan and get their real insurance somewhere else," says Dan Steininger, president of Milwaukee's 98,000-member Catholic Knights Insurance Society. "To some extent that was a blessing—people haven't been tempted to take out big policy loans."

Now, however, Steininger's average policy is $22,000, close to the average for all life companies. According to Steininger, it was simply a case of seizing an opportunity that was there all along: "Fraternal insurance agents have that quality that encourages people to spend their money on something they won't see until after they're dead." He's selling term insurance and annuities and is even planning a product he claims will outdo universal life insurance. But the marketing plan won't change. "It's absolutely amazing, the number of people who get together for a dinner dance, a Brewers game or an ice show, and the common tie is an insurance company."

Finding the right fraternal angle can be a big help to some smaller fraternal insurance operations. The Pittsburgh-based Polish Falcons, a 30,000-member fraternal and gymnastics society, have an average age of 35. "That helps make us one of the most solvent companies in the industry," boasts Falcon President Bernard Rogalski, who points out that other fraternals average well on the shady side of 50. Even with policy size limited to $10,000, no agents and no commissions, a constant round of gym tournaments, bowling and golf have helped Falcon assets grow to over $11 million—as well as drawn hundreds of younger Falcons to the nest.

That problem of an aging membership is just what Supreme Oracle Towner is trying to combat: "We're losing faster than we can keep up," she complains. That's why she has such high hopes for her revision of the Royal Neighbors' 86-year-old manual of rituals, marching and drills. "Most of our people have never seen anything like this before," she beams. "It may have lost its mass appeal, but it hasn't lost its appeal." ■

Drug company profits hardly look healthy. But the industry may just have the corporate equivalent of a 24-hour virus.

Follow the new directions

By Paul Bornstein

THE STRONG DOLLAR puts many a drug company executive in the sick room. More than 40% of the industry's sales come from overseas, and current accounting rules mean that those foreign earnings are worth less whenever the value of U.S. currency rises. Result: Second-quarter profits declined by as much as 22% at the likes of Merck, Schering-Plough and Upjohn. Even those companies that managed slim gains for the period, such as Squibb, Eli Lilly and Pfizer, may be clobbered by exchange losses later in the year.

Despite these troubling symptoms, however, drug companies should manage a quick recovery from the currency translation disease. Already, there are rumblings that accounting rules may be changed. And peering further into the future, the industry's prognosis seems to be surprisingly good. A revised regulatory environment, coupled with investment incentives, will help boost profitability; but the real key to pharmaceutical success will be research and development. Here prospects are better than at any time in more than a decade.

Drug company scientists are preparing for changing demographics—the "graying of America." The industry's fat research budget is concentrated in areas that will help alleviate illness and suffering associated with aging. Many of tomorrow's wonder drugs will be used for treatment of arthritis, high blood pressure and heart disease.

To develop these new products for the market, R&D spending for the industry reached $1.7 billion in 1980, up 13% from 1979. New tax credits should keep such increases coming, but there is more involved than just the additional $200 million: Companies are spending each research dollar more efficiently. "Prior to the mid-Seventies, a serendipity approach was used," says Ronald Nordmann of Oppenheimer & Co. Today, however, computer modeling greatly enhances laboratory testing, and advances in cell cloning and genetic engineering are important technical breakthroughs.

Merck is the industry's biggest spender on research and development. It allocated $280 million for this year, a 20% budget increase. Pfizer is also making a big spending push. Its 1981 research budget is around $190 million, and the company hopes to increase it by about 20% annually over the next five years. Pfizer has two potentially important new drugs on the horizon—Feldene, an anti-arthritic drug, and Cefobid, an antibiotic.

Thanks to Tagamet, an anti-ulcer drug introduced in

Tomorrow's wonder drugs

Here are nine new products that Wall Street analysts expect to be winners. Each should have minimum worldwide annual sales of $100 million.

Company/drug	Principal use	Annual sales potential (millions)
Eli Lilly/moxalactam	antibiotic	$400
Merck/timolol	heart attacks	500
Pfizer/Cefobid	antibiotic	400
Pfizer/Feldene	arthritis	300
Searle/Aspartame*	artificial sweetener	700
SmithKline/auranofin	arthritis	500
Squibb/Capoten	hypertension	400
Sterling/Inocor	cardiac failure	400
Upjohn/Xanax	tranquilizer	200

*Nondrug product.

A healthy future

Over the long run, these 14 leading drug producers should enjoy a profit surge. But for the moment, earnings at many firms are depressed because of foreign currency translation losses. In general, the impact of these charges relates to the portion of a company's revenues that comes from outside the U.S. So a high figure in the second column below may indicate that foreign exchange fluctuations are significant.

This short-term negative has most drug stocks selling at depressed levels, as price comparisons in the next three columns indicate. The result is that P/E ratios are only at a modest premium relative to the market as a whole, and dividend yields are often more attractive than usual for these high-growth companies.

	—1980 revenues—				Latest 12-month				
Company	total (millions)	% foreign	Recent price	52-week price range	earnings per share	price/ earnings ratio	P/E range 1971 to present	Current yield	Book value per share
American Home Products	$3,799	35%	30⅞	36 –24¾	$3.00	10.3	39– 8	6.2%	$ 8.88
Bristol-Myers	3,158	34	47½	58¾–43½	4.31	11.0	29– 7	3.9	18.71
Eli Lilly	2,559	40	53¼	68¾–48⅞	4.72	11.3	45–10	4.3	22.92
Merck	2,734	50	82½	103 –73⅛	5.68	14.5	45–11	3.2	24.64
Pfizer	3,029	57	47	54⅞–40⅝	3.57	13.2	31– 9	3.4	19.81
AH Robins	432	34	10⅝	14¾– 8⅞	1.09	9.7	42– 5	4.5	9.04
Rorer Group	312	31	20⅝	24½–16	1.96	10.5	28– 7	4.5	9.23
Schering-Plough	1,740	49	31⅞	45⅝–30¾	4.22	7.6	49– 7	5.3	21.73
GD Searle	1,082	35	33⅜	35½–19¾	1.29	25.9	36– 7	1.6	9.51
SmithKline	1,772	46	71⅞	88⅜–57⅜	5.14	14.0	20– 8	3.2	13.90
Squibb	1,676	43	29⅝	37⅝–24⅛	2.61	11.4	34– 8	4.1	19.88
Sterling Drug	1,701	46	21¾	26⅞–19¼	2.04	10.7	33– 8	4.6	12.46
Syntex	580	47	50¼	76½–44¾	5.20	9.7	42– 6	3.2	21.47
Upjohn	1,761	35	56⅜	69 –51¾	5.55	10.2	45– 7	3.5	28.89

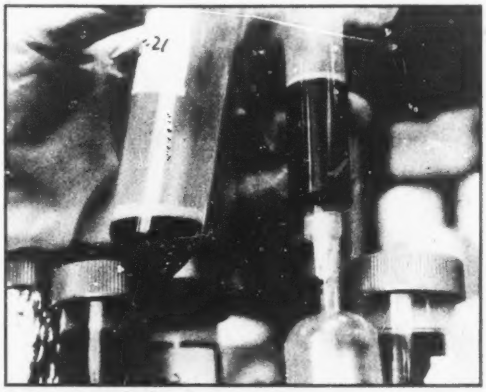
the U.S. in 1977, SmithKline is riding high. Its better than 40% annual return on investment is the highest of the major drug firms. This level of profitability, of course, will be hard to sustain, and as competitive products cut into Tagamet's market new drugs will be needed to pick up the slack. Auranofin, an anti-arthritic compound, could be another big winner.

Aside from the potential for scientific breakthroughs, the pharmaceutical industry may have a friend in Washington. The new head of the Food & Drug Administration, Dr. Arthur Hays, is in favor of shortening the process for reviewing and approving new products. That can presently take up to 12 years and cost as much as $60 million. Congress may help, too, by passing something called the Patent Term Restoration Act. It would restore some of the patent time lost to research during the FDA regulatory review. This could boost drug company profits significantly—in effect adding up to seven years to the effective life of many patents.

On Wall Street, of course, analysts are more interested in next year's new drug marvel than in slow-moving regulatory reforms. "Drug stocks move on new products," says Edwin Pawling of Chemical Bank's trust and investment division. SmithKline's Tagamet, for example, now accounts for about one-third of the company's sales and well over 50% of its net income. Since the introduction of Tagamet, SmithKline's stock has bounded from 38⅝ to 72¾, an 88% increase over four years.

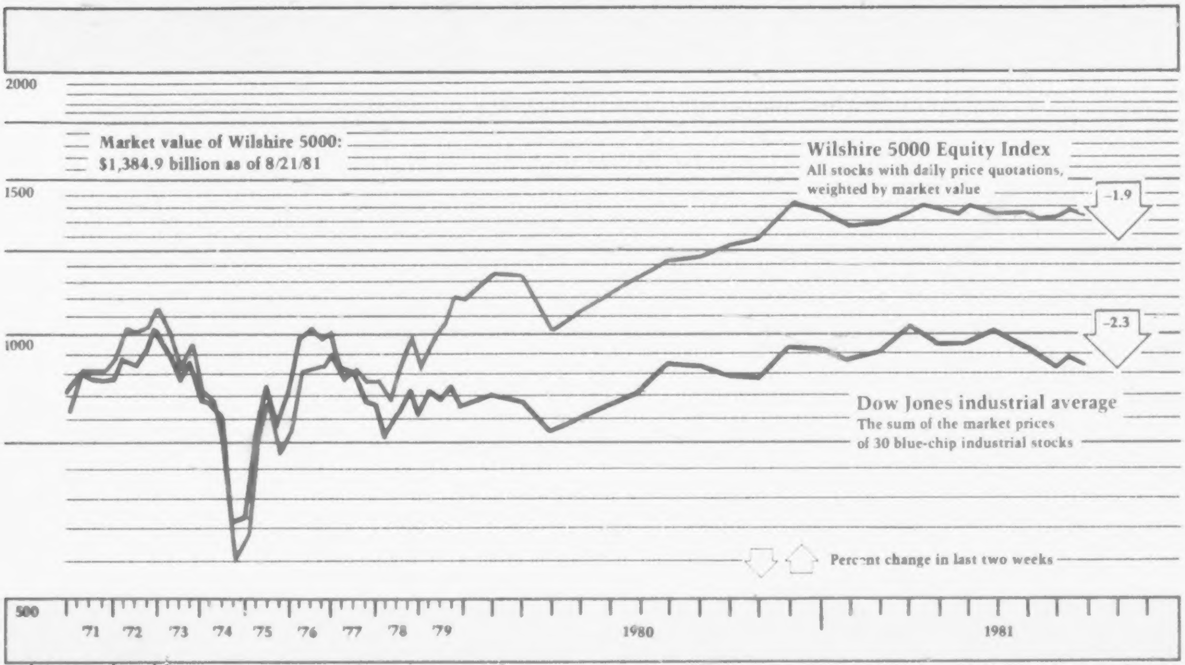
Predicting which drugs will become blockbusters is more art than science, but the table on page 55 presents some consensus revenue projections. Experts expect that the annual sales of each of the products it includes will be at least $100 million. That's a minimum figure. The maximum, presented in the table, is subject to considerable error. Schering-Plough's Garamycin, for example, was originally expected to gross $5 million to $20 million. Instead, this antibiotic became a bestseller, and in 1980 sales reached about $260 million. On the other hand, Syntex' Aarane, an anti-asthmatic, never exceeded $7 million in sales although some forecasts had the drug pegged at more than $100 million.

Despite today's enthusiasm, this isn't the first time that there were high hopes for the drug industry. In the early Seventies, Wall Street responded to great expectations by pushing many pharmaceutical companies to outrageously high earnings multiples. Lilly, for example, had an average price/earnings ratio of more than 40 in 1971. As the decade progressed, however, drug stocks stagnated, and a dwindling flow of new products helped dampen that euphoria. Now, thanks to new technology and increased levels of research and investment incentives, the Eighties may—in fundamental terms at least—be more truly a golden decade. "The industry," says Frederic Greenberg of Goldman, Sachs, "has changed from being under attack to being on a pedestal." ■



Drug research close up
Searching for tomorrow's profits.

The Forbes/Wilshire 5000 Review



Still running in reverse. Most indicators are either testing or breaking 1981 lows. Over the last four weeks the 30-stock Dow industrials registered the poorest performance, a 1.7% decline. The ASE and NASDAQ indexes were also in the red. Meanwhile, however, the Wilshire eked out a slight four-week gain—a move more representative of the entire market. NYSE stocks sustained that broad index, but during the past two weeks even the NYSE ran backwards. Again, the Dow led the losers with a 2.3% decline. The NYSE, S&P's 500 and the Wilshire each lost 1.9%. Over $22 billion in market value disappeared.

Secondary stocks still underperform primary stocks, and probably will until there are clearcut signs that the economy is back on track. In the meantime, the market is taking refuge in high-yield, low-growth securities.

This negative attitude on Wall Street is prompting investors to try to profit from pessimism. Short interest levels, for example, rose significantly on many high capitalization stocks in the natural resource, energy and utility sectors. When the market tries to rally, the short sellers must liquidate in order to cover their positions. Eventually, this scenario will play itself out. Nothing, of course, would help end this game faster than a plunge in interest rates and a rash of optimistic 1982 earnings estimates. If—and when—these two factors converge, the market should have a strong rally.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	0.4	–1.7	0.7	–0.6	–0.6
in last 52 weeks	5.2	–3.9	3.6	9.8	13.8

Stock performance based on five key investor yardsticks

Percent change	Volatility *		P/E multiple		Dividend yield		Growth profile †		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	–1.7	1.5	–0.6	–1.4	0.3	–1.8	–1.2	0.3	0.1	–2.0
in last 52 weeks	20.1	12.2	18.3	14.2	4.3	22.8	19.6	13.1	6.6	27.8

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

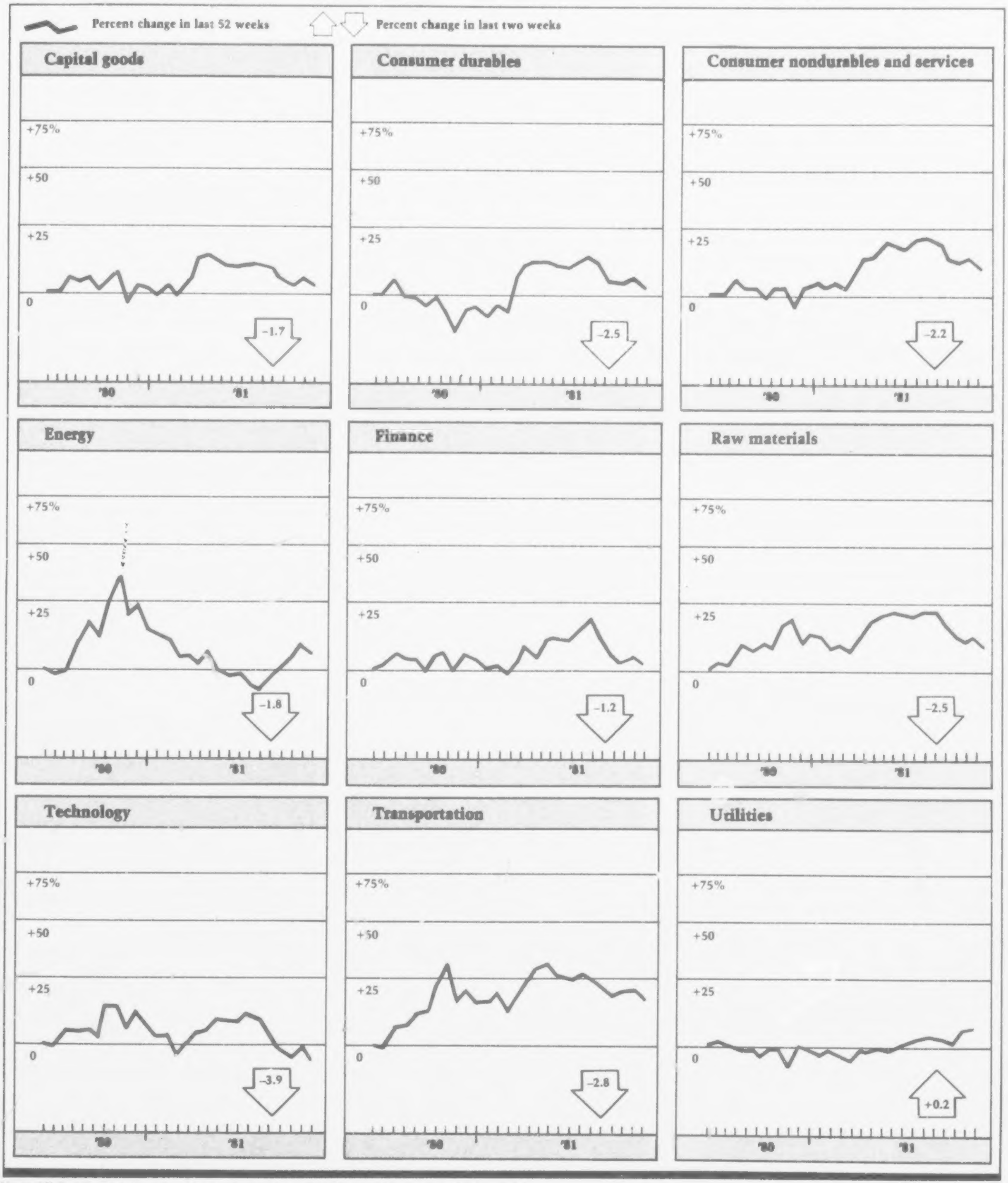
Note: All data for periods ending 8/21/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Guess where there's a light of hope. Except for utilities, all sectors were down, some sharply. Once again utilities are perceived as a haven from the cold, cruel world of equities. Most are also favorably priced relative to asset value and earnings potential, and they offer high yields.

While utilities were at least lukewarm, energy stocks got severe chills. To see this group really thaw out, wait for improved fundamentals or another huge acquisition offer such as the Du Pont-Conoco deal. Still, technology stocks scored the biggest setback, a 3.9% drop. It's the only group that shows up in the red for the previous 52 weeks.

During the past two weeks, however, significant declines were also registered by consumer durables and nondurables, raw materials and transportation. Just when things were starting to look better, the airlines had their wings clipped by the air traffic controllers' strike. And asset-rich railroads were once again derailed by the market's disenchantment with energy plays.



Note: All data for periods ending 8/21/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Take out a handful of energy stocks, and what's left on the American Stock Exchange? You might be surprised.

The Amex nobody knows

By Steve Kichen

THE AMERICAN STOCK Exchange could just as well be called the American Energy Exchange. Only 68 out of its almost 950 stocks are oil- and gas-related. But these issues account for more than 45% of the exchange's total market value.

The big names are high-visibility—and often Canadian—energy giants such as Dome Petroleum and Imperial Oil. Then there are a few high-technology outfits like Amdahl and Wang Labs. Beyond that, most Amex offerings are hardly household words. How many people have ever heard of GI Export, or Chadwick-Miller?

The Amex' roots trace back to colonial times. Long called the Curb Exchange, because securities were traded in the street, it suffers today from the "middle child" syndrome. The blue-chip New York Stock Exchange offers the ultimate in prestige, and a listing there helps catch the eyes of moneybags institutional investors—both inside and outside the U.S. The over-the-counter market, once a haven for bucket-shop brokers and undercapitalized companies, is now perceived as a thriving bourse with multiple market makers and "undiscovered" investment bargains.

The o-t-c renaissance has come largely at the expense of the Amex. Average daily o-t-c trading volume is about 4 times as great. "We recommend that our clients keep their o-t-c listings until they're ready to move up to the Big Board," says an adviser to many small companies. "Going on the Amex doesn't really improve visibility at all."

Not everyone agrees. Take Robert Marmor, chairman of South Texas Drilling & Exploration (formerly South Texas Drilling). Last February, South Texas went on the o-t-c with a 550,000-share public offering, and Marmor then moved to the Amex in mid-August. "We talked to a lot of people and they said you're better off bringing your company on the Amex," he explains. "It gives additional liquidity, makes it easier for shareholders to have margin accounts, adds price stability and facilitates possible acquisitions."

There are other reasons for being on the Amex. In smaller towns, considerable prestige attaches to running a company with stock traded on a New York exchange—regardless of which one. "The Amex is part of the big-

Hidden bargains

Energy shares may dominate the news about the American Stock Exchange, but they are not the whole story. These 58 companies sell at a P/E multiple of 7 or less, have at least a 10% five-year growth rate and are all in the black for the latest 12 months. Most of the stocks are also priced below book value.

Company principal business	Revenues (million)	Recent price	Price range 1976 to present	Latest 12-month earnings per share	price/ earnings ratio	Yield	Book value per share	Book value/ price	Debt as % of book	5-year growth rate
AIC Photo imports, distribs photo equip	$ 40.0	5¼	8 – ¼	$1.23	4.2	2.3%	$6.54	1.24	1%	136%
Amer Controlled Industries heat-transfer equipment	20.2	18⅛	21⅝– 5	2.87	6.3	3.8	16.67	0.91	35	23
American Plan insurance	18.8	3¾	5 – ¾	0.83	4.5	—	4.79	1.27	49	106
Big V Supermarkets grocery stores	407.8	13	14 – 1⅝	1.94	6.7	2.7	8.66	0.66	57	26
CDI technical services	227.9	8¼	14⅞– 1	1.75	4.7	—	8.54	1.03	98	129
Century Factors finance	10.4	17⅜	19⅞– 2	2.59	6.7	0.9	18.26	1.05	72	65
Chadwick-Miller importing, retailing	21.9	11	11⅞– 3⅞	1.78	6.1	8.6	10.88	0.98	5	15
Champion Products apparel	108.9	16½	30¾– 8⅝	2.70	6.1	4.4	21.73	1.31	22	12
Clark Consolidated Industries distribs electrical equip	23.6	5⅝	7⅞– 1⅞	0.87	6.4	4.4	7.78	1.38	90	15

Source: Standard & Poor's

fish-in-a-small-pond philosophy; it gives small and medium-size companies the chance to get more activity and exposure," says Daniel G. Pine, an analyst with the *Value Line Investment Survey*.

Exchange officials are working hard to change the way the Amex is perceived. "Starting with Chairman Arthur Levitt Jr. and the new management, we have become an aggressive, active partner with our listed companies," says Joshua A. Rich, executive vice president of marketing. Part of this new strategy involves meetings with analysts, special publications on newly listed companies and expanded contacts with the media. Rich, for example, does videotape interviews on the exchange floor with executives of newly listed companies.

The qualifications for an Amex listing are midway between those of the o-t-c and the NYSE. A prospective member company must have at least 400,000 publicly held shares, a market value of $3 million and net tangible assets of $4 million. Although many companies use the Amex as a stepping-stone for eventual Big Board membership, approximately 250—more than 25%—Amex-listed firms could pass NYSE standards but have elected to stay with the Amex.

In addition to its energy stalwarts, the Amex is sprinkled with high-technology, health-care and service companies. The average Amex firm has annual revenues of $215 million and a

Company principal business	Revenues (million)	Recent price	Price range 1976 to present	Latest 12-month		Yield	Book value per share	Book value/price	Debt as % of book	5-year growth rate
				earnings per share	price/earnings ratio					
Continental Materials building materials	$ 41.9	10¼	15¾– 3⅛	$2.22	6.4	4.4%	$10.65	1.03	38%	41%
Dellwood Foods food processing	124.3	15½	17⅝– 5⅞	3.68	4.2	5.9	26.53	1.71	3	39
Depositors Corp bank holding	58.8	29	32¼–14	6.86	4.2	6.6	35.70	1.23	34	21
Development Corp of America building, apparel	196.8	18⅜	23⅝– 1⅞	4.75	3.8	—	21.38	1.16	99	63
Duplex Products business forms	197.8	14¼	16½– 4⅛	2.63	5.4	4.2	13.64	0.95	24	35
EAC Industries hardware	31.9	5¾	8⅜– 1⅛	0.94	6.1	6.3	7.60	1.32	40	21
Esquire Radio & Electronics electronics	51.8	23¾	24½– 4¾	4.59	5.1	2.8	29.18	1.22	—	15
Fab Industries textiles	119.7	14¼	16⅛– 2⅝	3.18	4.4	3.5	17.88	1.25	3	29
First Bankers Corp of Florida bank holding	38.9	18	22⅝– 8⅝	2.95	6.1	5.6	17.80	0.98	5	21
Florida Rock Industries cement, aggregates	184.9	14⅛	17⅜– 2¾	2.86	4.9	2.1	14.44	1.02	45	59
Friedman Industries steel processing	90.2	10¼	12 – 2⅛	2.08	4.9	2.3	8.35	0.81	14	28
Frisch's Restaurants restaurants	102.6	7⅜	9¾– 4¼	1.45	5.0	4.1	11.81	1.60	70	10
Galaxy Carpet Mills textiles	103.5	11¼	12⅞– 2½	2.42	4.6	—	10.22	0.90	93	22
Giant Food grocery stores	1,483.4	19⅞	22 – 9⅛	3.09	6.4	6.0	24.82	1.24	80	11
GI Export exports auto parts	13.9	4	5¾– ⅞	0.60	6.6	—	4.07	1.01	—	116
Great American Industries rubber products	115.3	14¼	18⅞– 2¾	3.74	3.8	—	16.77	1.17	66	25
Guilford Mills textiles	242.6	21	28⅝– 1¾	4.24	4.9	2.9	16.44	0.78	22	52
Health-Mor appliances	24.9	8¼	12¾– 1¾	1.54	5.3	4.8	8.89	1.07	—	11
George A Hormel meat packing	1,321.9	17⅛	20 – 8⅜	2.71	6.3	5.4	22.57	1.31	13	14
Hudson General airport services	49.8	9⅞	12⅞– 1⅞	2.00	4.9	3.0	12.26	1.24	72	137
IMC Magnetics specialty motors	50.0	15¼	21½– 5	3.20	4.7	1.8	20.69	1.35	37	17
Key Co building	18.4	7⅛	10½– 1⅜	1.16	6.1	5.6	10.96	1.53	51	121
Laneco grocery & retail stores	180.3	13½	14½– 2¼	2.00	6.7	2.1	13.38	0.99	91	17
Liberty Fabrics of NY textiles	47.8	9⅜	11⅞– 3¾	2.38	3.9	—	18.53	1.97	38	10
Adams Littlefield & Co apparel	35.9	6	8¼– 2	1.37	4.3	5.3	7.77	1.29	37	10

Source: Standard & Poor's.

market value of $102 million. But the Amex family includes such billion-dollar companies as Giant Food and George A. Hormel.

The accompanying table lists many reasonably priced nonenergy Amex issues. It's worth a close look because many Amex companies do not get much analyst scrutiny. Each company on our list has a price/earnings ratio of 7 or less, a five-year growth rate of at least 10%, positive earnings, long-term debt that is less than book value and a book-to-price-value ratio of at least 0.72. A book-to-price-value ratio greater than 1 means that the company is selling for less than book value. For example, for every $1 you pay for Dellwood Foods you get $1.71 in book-value assets.

Fourteen of our companies sell at a P/E of 5 or less, have a growth rate of 20% or better and are priced below book value: for example, AIC Photo, an importer and distributor of photographic equipment, and Hudson General, a $50 million-a-year industrial services firm.

Next time you are out bargain shopping, don't forget the Amex. Although the companies are not as familiar as AT&T, General Motors and Sears, Roebuck, many could provide handsome total returns. And there may be nearly as many "unknowns" as you will find on the o-t-c. Multiples could also benefit if Amex management can improve its image. Even middle children can succeed.

Hidden bargains

Company principal business	Revenues (million)	Recent price	Price range 1976 to present	Latest 12-month earnings per share	price/ earnings ratio	Yield	Book value per share	Book value/ price	Debt as % of book	5-year growth rate
Means Services linen rentals	$115.8	20¼	26½–10½	$3.24	6.2	6.9%	$27.08	1.33	35%	17%
Mott's Super Markets grocery stores	264.7	18⅛	18⅛– 2¼	2.63	6.8	1.1	13.18	0.72	5	39
Mount Vernon Mills textiles	134.7	37⅜	39⅛–12¼	6.77	5.5	4.5	62.52	1.67	11	85
Movielab film processing	37.5	4⅜	9¼– ⅞	0.83	5.2	—	7.64	1.74	29	51
Newcor industrial machinery	63.0	13	19⅝– 4¼	2.46	5.2	4.0	11.15	0.85	20	24
Northeast Bankshare Assoc bank holding	45.7	12⅞	13¼– 8½	2.88	4.4	8.7	21.55	1.67	22	15
Pat Fashions Industries apparel	72.1	15⅞	16⅜– 2¼	3.66	4.3	0.9	19.48	1.22	1	39
Penobscot Shoe footwear	22.4	8⅝	13⅝– 2⅝	1.99	4.3	5.8	12.32	1.42	—	34
Pratt & Lambert specialty chemicals	105.1	18	22 –10	2.69	6.6	6.1	19.17	1.06	33	13
Restaurant Associates food services	95.7	5⅜	8¼– 1	1.09	4.9	—	4.86	0.90	72	121
Russell Corp apparel	238.3	12	15½– 2⅛	2.00	6.0	3.3	9.41	0.78	27	27
San Jose Water Works water utility	32.7	22¾	23⅞–15	4.77	4.7	9.0	34.02	1.49	85	18
Seaboard Allied Milling food processing	406.6	23	23⅝– 6½	3.89	5.9	2.2	35.63	1.54	32	13
SGL Industries electrical equipment	51.2	13⅜	15⅞– 3⅞	1.99	6.7	2.5	12.40	0.92	2	16
Spectro Industries wholesale med supplies	236.3	9⅝	13¼– 2¼	1.58	6.0	1.6	10.63	1.10	75	20
Superior Surgical Mfg uniforms	72.9	13⅜	15⅞– 3⅜	2.16	6.1	3.3	17.38	1.29	51	16
Three D Departments leased retail departments	29.1	5¾	7¾– 1⅛	1.20	4.7	4.2	7.30	1.26	1	13
Thriftimart grocery stores	473.4	33⅜	45 – 5¾	7.77	4.2	4.8	56.54	1.69	22	26
Tultex apparel	181.7	10⅝	14¼– 2⅜	2.03	5.2	4.5	10.66	1.00	59	12
Valspar chemical coatings	136.6	12¾	16⅜– 3⅛	2.04	6.2	4.1	12.08	0.94	26	30
Vertipile textiles	23.1	5½	8½– ⅞	0.98	5.6	2.7	5.09	0.92	22	62
Volume Merchandise retail	48.1	5⅝	6⅝– 1¼	0.99	5.6	2.2	11.00	1.95	5	42
Vulcan Corp footwear materials	39.8	13	15⅞– 1¾	2.40	5.4	2.6	10.06	0.77	14	32
Sam P Wallace contracting	282.5	7	12⅝– 2⅞	1.01	6.9	4.6	7.57	1.08	4	10

Source: Standard & Poor's.

NOTE

ONLY THE FOLLOWING PAGES OF THIS
PUBLICATION HAVE BEEN FILMED

Cover 1, p. 4-5, 26, 175-
176, 196-197.

SEPTEMBER 28, 1981 TWO DOLLARS FIFTY CENTS

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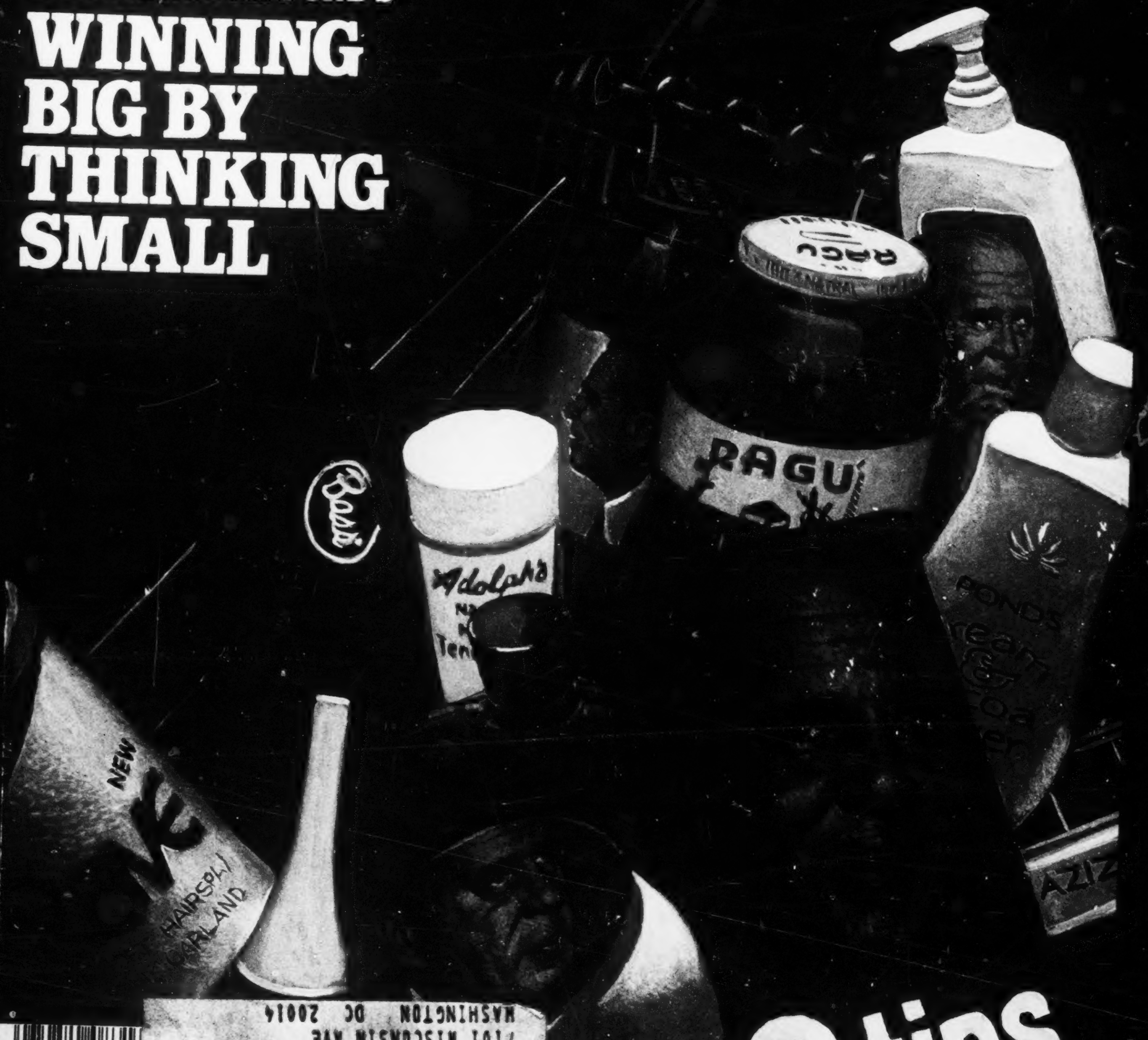
Forbes

RALPH WARD OF CHESEBROUGH-POND'S

WINNING BIG BY THINKING SMALL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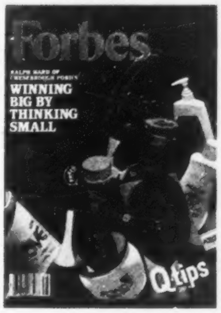
Forbes

September 28, 1981
Volume 128,
Number 7



105 *Cover Story: Chesebrough-Pond's Ralph Ward has quietly performed one of the most creditable management jobs in all of U.S. industry.*

32 *CFTC Chief Philip Johnson: It may take more than an appeal to the states.*

37 *Africa: Heart of darkness, heart of confusion.*

31 Natural Gas:
A $390 Billion Disagreement
A bitter internecine industry fight may present Ronald Reagan with his first no-win confrontation with Congress.

32 Commodities Futures:
Full Blast In The Boiler Room
A costly squabble over jurisdiction.

33 Companies:
NCR Corp.
Why has it picked this moment to invade the ferocious world of the merchant semiconductor makers?

34 Greece:
Another Left Turn Ahead?
A leftist tide rolls on in Europe. First France. Now Greece?

37 Africa:
The Heart Of The Matter
People starve. Politicians are corrupt. Economies decay. Yet to read the headlines an American would think the crucial issue was an empty land even most Africans couldn't find on a map.

42 Companies:
Renault
Here comes the Franglaismobile. Will it look as good on American highways as it does on Renault's drawing board?

53 Taxing Matters:
A Nice Little Loophole
The IRS will probably try to close it up; but in the meantime some alert companies—and investors—will be trying to take advantage of it. Also: Why are they making all those movies in Canada?

62 The Numbers Game:
A Blueprint For The Contractors
Bringing some order out of the chaos of construction-company accounting.

67 Companies:
Ametek, Inc.
Boring can be beautiful.

72 Companies:
S.E. Rykoff & Co.
"Our greatest marketing tool is the can opener," says Roger Coleman. Here's why.

84 The Up-And-Comers:
Monarch Wine
Better known for its most famous product, Manischewitz wine, profitable little Monarch is hopping from one ethnic niche to another while the big conglomerates are still struggling to master the business.

92 The Up-And-Comers:
Dairy Queen
"We could have had it *all* back then," says Harris Cooper with a sigh. But after 43 years, Dairy Queen may finally have its act together.

96 The Streetwalker:
Ronson
The flame flickers. Will it ever flare again?

105 Cover Story:
Chesebrough-Pond's Unsung Miracle
Ralph Ward's takeovers generate few headlines, and the man behind them is surprisingly obscure. Yet his record proves he's one of the shrewdest managers around.

112 Companies:
California Federal Savings & Loan
Better alive and in the fray than dying a lingering death.

114 Companies:
Todd Shipyards
"After what's happened around here," says John Gilbride, "we'll never be complacent."

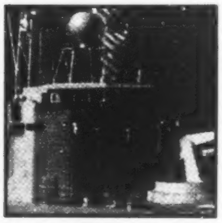
115 Companies:
Insilco
In its infatuation with one glamorous division, Times Fiber, Wall Street may be overlooking the parent, an impressive conglomerate built out of the old International Silver Co.

137 Companies:
Kaman Corp.
Defense is no longer the be-all and end-all; it's the icing on the cake.

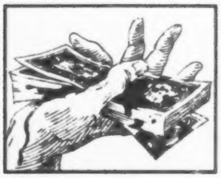
142 The Language:
Dirty Money
But how did it get that way?

148 Companies:
Chromalloy American
Frank Nykiel straightened it out, so now Sun Chemical is stalking it.

84 Monarch Wine: "We're survivors. We have to be tricky, find a niche."



114 Todd Shipyards: All the victims of Vietnam were not on the battlefield.



142 Dirty Money, Dirty Words: Which Simon invented simony? Who had the first slush fund?

155 Idle Wild: The next Iowa Beef?

153 Companies:
Prudential Insurance Co. Of America
Pension funds will probably pour more than $3 billion into real estate this year; the Pru alone accounts for about half of that.

155 Companies:
Idle Wild Foods
"We're just a little country slaughterhouse," says John Jacobson. Not exactly. If Jacobson isn't quite in a class by himself, he's so close it hardly matters.

Faces Behind The Figures

160 Nat Owen,
General Signal Corp.
160 John Casey,
Braniff International
160 Jon Canas,
Dunfey Hotels Corp.
161 Morris Offit,
Baer Holding Co.
161 Gordon Moore,
Intel
164 Paul C. Sheeline,
Intercontinental Hotels
164 Willi Sieberger,
The Parker Pen Co.
164 Kay Koplovitz,
USA Network
166 George W. Lehr,
Teamsters Central States Pension Fund
166 Arnold Altman,
Avanti Motor Corp.

167 Personal Affairs
Buying stocks on your credit card; the new breed of two-seater sports cars; and good news from the Tax Court for the owners of vacation homes.

194 The Money Men:
Gray, Seifert & Co., Inc.
In casino parlance, Miles Seifert is on a roll. In just 20 months, he and his partner, Edward Gray, have attracted a whopping $200 million in assets to their brand-new investment firm. What's their secret?

196 Statistical Spotlight:
Eliminate The Negative
Can you use a computer to screen out losers? Here's how 44 stocks stack up in Nourse Associates' new "SOS" program.

Money And Investments

25
What's Ahead For Business
26
The Forbes Index
175
The Forbes/ Wilshire 5000 Review

Columnists

179
Ben Weberman
180
Heinz H. Biel
185
David Dreman
186
Srully Blotnick
188
Ashby Bladen
190
Ann C. Brown
191
Stanley W. Angrist
192
John Train

Departments

6
Side Lines
8
Trends
10
Follow-Through
14
Readers Say
19
Fact and Comment
22
Other Comments
198
Editorial Index
199
Flashbacks
200
Thoughts

Photos:
6, 85, 88, 105, 153, 160 bottom, 164, 170, 172 left, Bill Kelly; 8, 35 left, UPI; 10, Milton C. Toby, 20 top, Al McLaughlin/The Sunday Oklahoman; 21, 148, 161 top left, Robert Forbes; 33, Lillian O'Connell; 34, Tom Simon/Liaison; 35 right, Wm. Karel/Sygma; 38, J.P. Laffont/Sygma; 42, 43, Chip Hires/Liaison; 46, Andrew Sachs/Black Star; 67, John Hoagland/Liaison; 68, Deacon Chapin/Liaison, 72, Ken Rogers/Black Star; 92, Craig Perman; 112, Jim McHugh; 114, Timothy Eagan; 115, Theo Westenberger; 137, 140, 167, Steve Liss/Liaison; 156, Jim Richardson/Black Star; 157, 158, 159 Enrico Ferorelli; 160 top, Les Wollam; 161 top right, 194, James Pozarik; 161 bottom, Robert Isaacs; 165, Patrick Pagnano; 166 top, Arnold Zann/Black Star; 166 bottom, Hank Young/Black Star, 172 right, Roger Zapke

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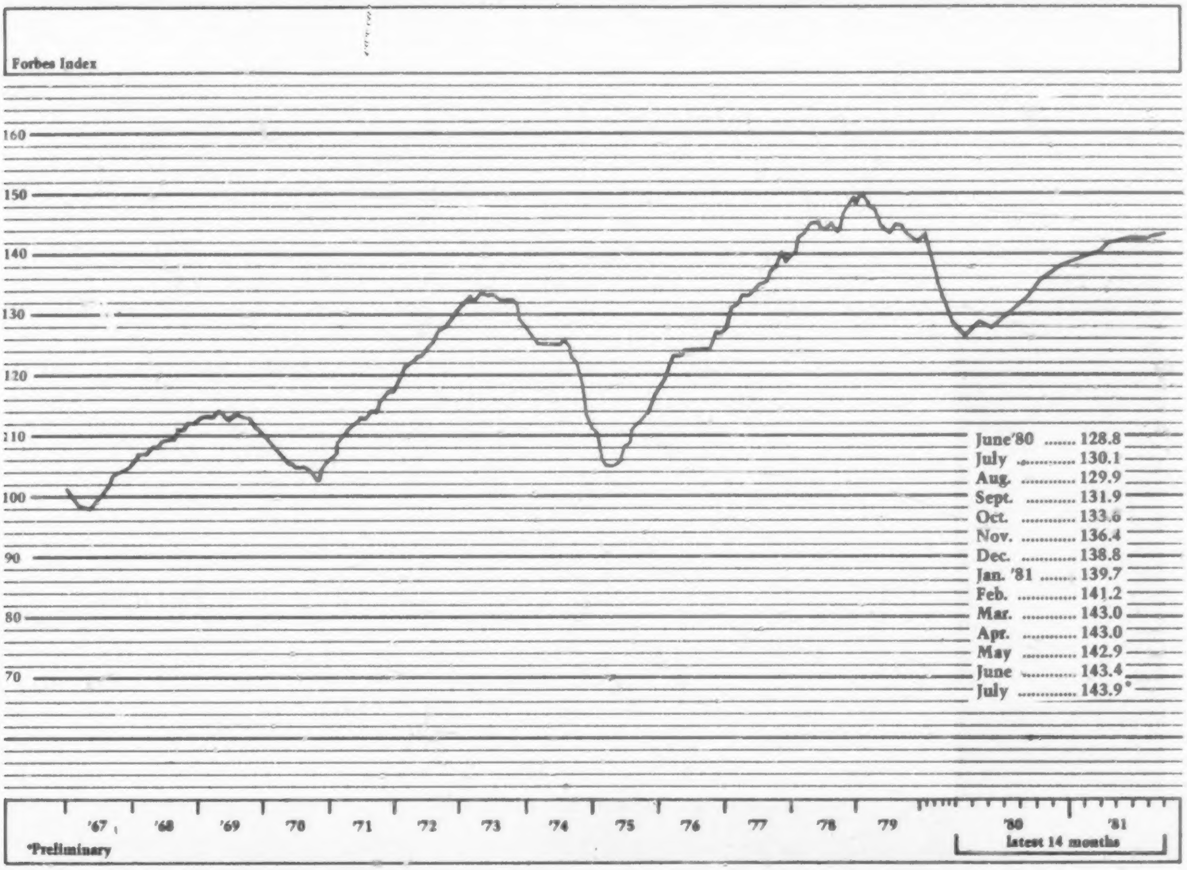
The Forbes Index



The Forbes Index Components

What recession? After minor revisions, the Forbes Index is up more than 0.3% in July. The Index would be even higher were it not for a 3.4% decline in housing starts. Industrial production, manufacturers' new orders, inventories and retail sales are all up. Personal income also increased slightly. Still, high interest rates and the Administration's desire to curb inflation are soon likely to slow the growth of the Index.

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

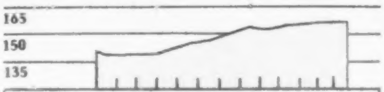
Total retail sales

New housing starts

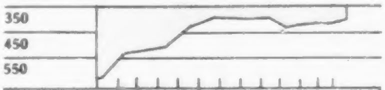
Personal income

The change in the amount of consumer installment debt outstanding

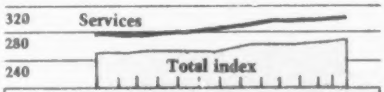
To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



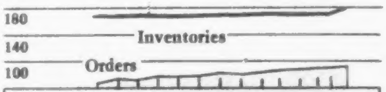
Industrial production index (1967=100)
seasonally adjusted (Federal Reserve)



Unemployment claims (thousands)
seasonally adjusted (Dept. of Labor)



Consumer price indexes (1967=100)
all urban consumers, unadjusted (Dept. of Labor)



Manufacturers new orders and inventories
($billions) seasonally adjusted (Dept. of Commerce)

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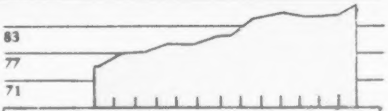
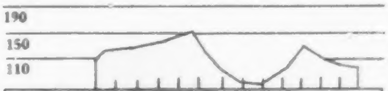
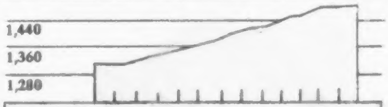
'80 '81



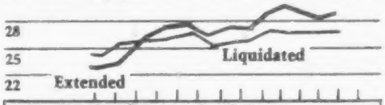
Retail store sales ($billions)
seasonally adjusted (Dept. of Commerce)



New housing starts (thousands)
privately owned, unadjusted (Dept. of Commerce)



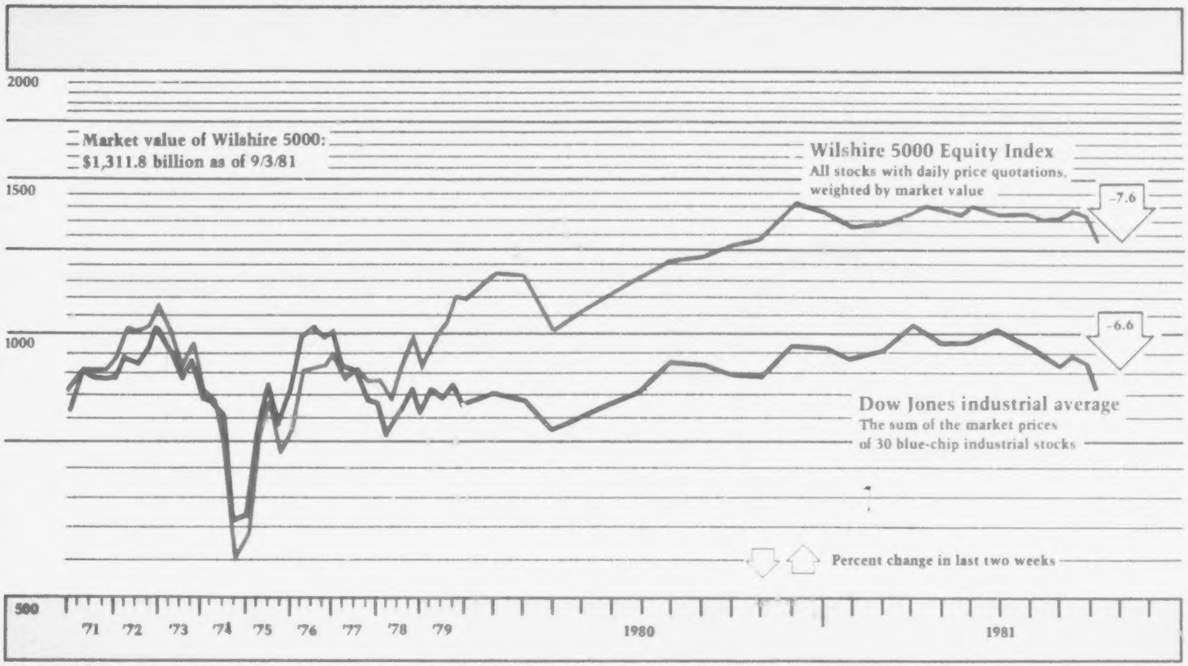
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions)
total, seasonally adjusted (Federal Reserve)

J J A S O N D J F M A M J J
'80 '81

The Forbes/Wilshire 5000 Review



Market value of Wilshire 5000: $1,311.8 billion as of 9/3/81

Searching for a bottom. A few feeble attempts to rally have not prevented the market from continuing its downward slide. Major market indicators slumped by 8.6% or more over the last 4 weeks. The NASDAQ stocks were hardest hit. They fell 9.3%. But the broadly based Wilshire isn't too far behind. Its 8.9% reversal also means that Wall Street has given up more than $93 billion in market value in the past month. The Wilshire also shows, however, that the total value of all listed securities for which price quotes are available still exceeds $1.3 trillion.

Any drop below 800 in the Dow is likely to have a negative psychological impact on investors, and the market may actually test this level within the next few weeks. Investors are already leery of a new wave of inflation, which still seems strong. Rates of 14.76% for long-term Treasury bonds are not helping Wall Street.

In its decline the market may be shifting from an overbought to an oversold position. If stocks drop even lower, better bargains will be created. This will eventually set the stage for significant buying opportunities. But perfect timing is nearly impossible. The folks who get the best bargains will no doubt be snapping up equities when the current outlook is bleakest. This time, however, the averages have fallen so steeply that even investors who forego their purchases until they've seen the bottom still stand to score impressive gains.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	–8.9	–9.0	–8.8	–8.7	–9.3
in last 52 weeks	–1.8	–8.6	–3.0	1.9	3.8

Stock performance based on five key investor yardsticks

Percent change	Volatility *		P/E multiple		Dividend yield		Growth profile †		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	–13.0	–3.0	–12.1	–7.5	–4.4	–10.4	–12.3	–5.8	–8.4	–9.6
in last 52 weeks	5.4	7.9	4.3	6.2	–0.2	10.4	6.0	6.4	–0.7	14.3

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

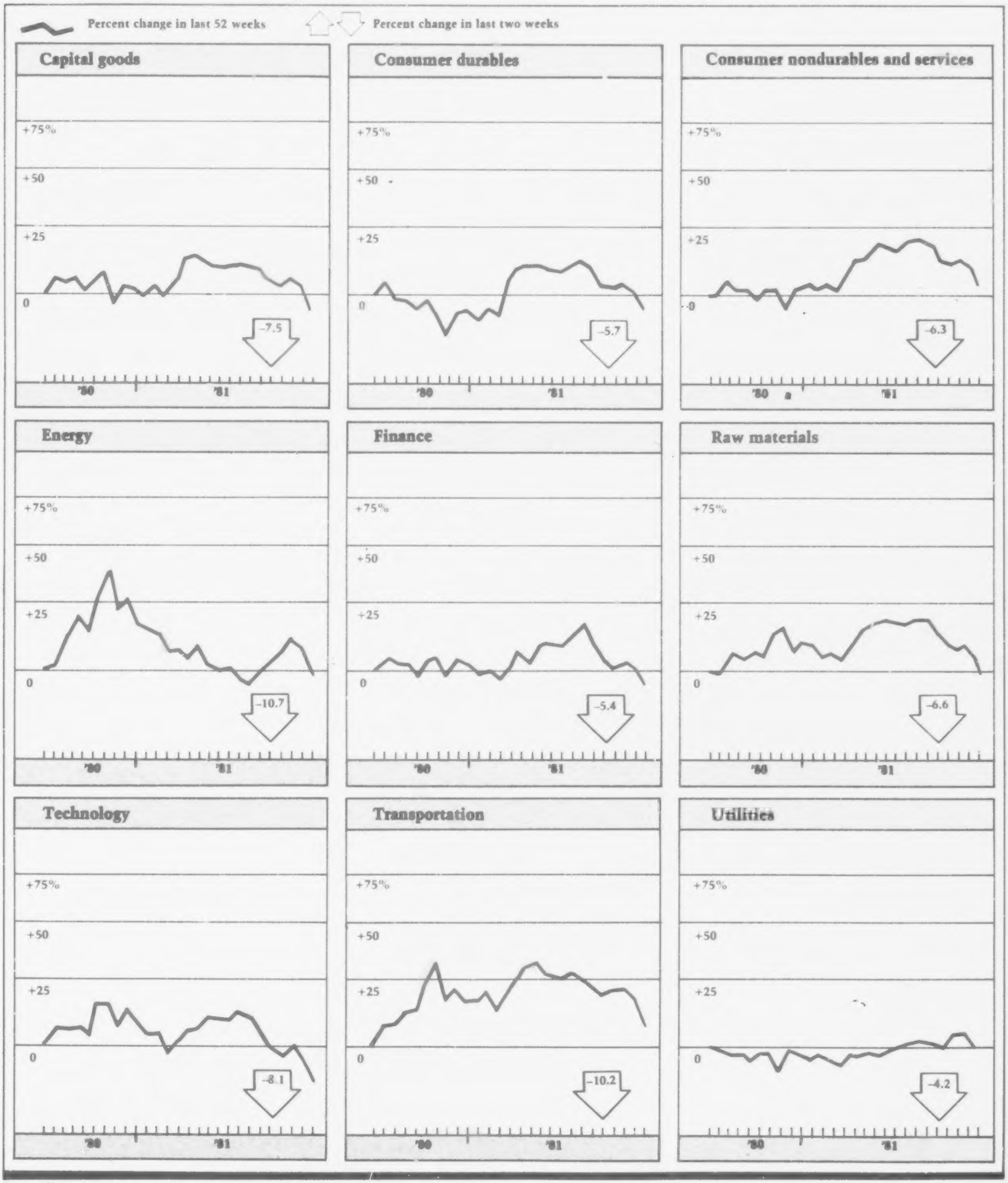
† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 9/3/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Even the good news is bad. Even though the utilities declined 4.2%, they still outperformed all other sectors. That was the good news. In the most recent two weeks technology companies have dropped 8.1% and capital goods producers lost 7.5%. The biggest drop was in the energy sector. It declined 10.7%. Oil and gas companies had been pumped up by merger speculation, and it may take another massive acquisition battle to stem their slide. Another big loser was the transportation group, off 10.2%. The skies continue to look gloomy for the airlines, and the prospects of more fare cuts won't help.

This period's steep declines have taken back most of the gains the market made over the past several months. Two weeks ago technology was the only sector to show red ink over a 52-week period. Now 6 of the 9 sectors are in the red. Technology is still hurting the most. It's behind 13%. Still in the black: Consumer nondurables and services, raw materials and transportation.



Note: All data for periods ending 9/3/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Statistical Spotlight

A computerized system, with an emphasis on cash flow, aims to pinpoint stocks that will be poor performers.

Sorting out the losers

By Steve Kichen

Tom Nourse has always been a maverick. A graduate of Purdue and chemical engineer by training, he spent much of his career as a marketing man and consultant on business performance. Yet Nourse never lost a scientist's penchant for the truth. "I had firsthand experience seeing managers making decisions on what I felt was misinformation," he explains. "So I started to search for better yardsticks to measure business performance."

Over a decade ago, Nourse quit his job as vice president of Interactive Sciences Corp., a Braintree, Mass.-based time-sharing company, and started to develop his ideas. Cash flow analysis (Forbes, *Feb. 2*) dominates Nourse's approach. His firm, Nourse Associates, publishes a fat volume containing comparative performance analyses of corporate balance sheets and incom statements that Nourse sells as a management tool. Beyond that, however, he doesn't think Wall Street is fooled by today's reported profit gains, which he feels come at the expense of new investment.

To try his hand at picking stocks, Nourse is testing a computer analysis that he calls SOS. That's for Stock Omit Screen, a way to find probable poor performers. Early results are intriguing: Nourse called a 1980 Value Line Special Situations list of 19 stocks and eliminated 10. When the entire group appreciated by 100%, his abbreviated list was up nearly twice as much. Similarly, Nourse evaluated a year-old Kidder, Peabody list of 50 high-P/E stocks and a presentation in a recent Forbes Statistical Spotlight. Both times his screening eliminated losers and boosted performance by 30% or more.

Nourse is testing his system against a new list of stocks, presented here. It is a select group of large companies selling at above-market earnings multiples. His computer rejects 26 of the 44 stocks. The 18 securities that pass the screen are colored yellow in the table.

Nourse begins his evaluation by comparing two different types of cash flow. The first is earnings plus depreciation, just what basic accounting textbooks describe. The second, "actual" cash flow, is a much more conservative figure. It measures aftertax profits minus everything that a company buys. Incremental investment in plant, equipment, inventory and receivables is subtracted from aftertax earnings; so Nourse really winds up with a measure of cash actually generated by the business rather than by accountants.

"Anyone running a business on a cash basis rather than an accrual basis knows that this is the way to measure the health of a company," he explains. Nourse's actual cash flow comes to only 0.3% of sales for the more than 1,000 companies in his data base—to him an indication that the current growth of corporate profits is largely an illusion.

A stricter interpretation of cash flow, however, is only part of Nourse's Comparative Business Performance Reports System. Another important element is what he calls the Performance Factor. This statistic is a combination of sales growth, quality of earnings, cash flow to funds requirement and investment expansion. Each year it is calculated to equal 1.0 for the 1,000-company data base.

At a quick glance, Nourse can tell that SmithKline, for example, with a performance factor of 5.78, is strongly beating the industrial aggregate. And it is also ahead of the drug industry's 1.79. Food services and basic chemicals, with performance factors of 0.74 and 0.77, are groups that are underperforming industry as a whole.

Tom Nourse started massaging his data on a programmable calculator, but his San Diego office is now equipped with a Radio Shack and a Digital Equipment computer. For comparative performance analysis, Nourse distills his data on each company into a four-position grid, something any chemist can appreciate. The strategic positions: Invest, Protect, Maintain and Review.

A high-growth company is almost always in his "Invest" position. An Invest company has outstanding sales and stock performance and generally above-average profit performance as well. It also has the highest level of reinvestment and the second-highest degree of leverage. Wang Labs, Hewlett-Packard, Amdahl and Time Inc. are notable examples.

There are drawbacks to the Invest position, however. Nourse's conservative actual cash flow measurement shows that Invest companies have negative cash flow. But as long as investment and performance stay high, this tradeoff is usually acceptable. A company can quickly find itself in trouble if its performance factor deteriorates. From 1980 to 1981, for example, Data General went from Invest to Review. The stock plummeted 48% over the past 52 weeks.

Protect companies are perhaps the best in Nourse's scheme of things. Merck and General Electric, for example, aren't reinvesting as intensely as Invest companies. But on the other hand they are not as leveraged and their cash flow is positive.

Maintain is a less desirable position. Nourse looks at Maintain companies such as Mead, TRW and Westinghouse as firms that are treading water to stay alive. They are reinvesting enough and showing enough actual cash flow to hold their own, but not much more. In his capacity as a consultant, the advice Nourse gives to Maintain companies is to embark on new ventures and acquisitions but only after a company has its existing operations well under control.

The least desirable strategic position is Review. These companies are using cash but not reinvesting at a suitable level, and they are highly leveraged. Nourse offers strong medicine. "No new products, no new markets, no new territories and no new investments. Give up your dreams and go for cash flow and liquidity." That's why Nourse is not keen on Allied Corp., one of his Review companies. He would rather see it trimming fat instead of making acquisitions. Nourse doesn't like Humana either. "While I realize it has been a superb stock performer, it will not pass the screen because of its strategic position in Review and negative actual cash flow," warns Nourse. But if Nourse is right, Dana Corp., an Invest company, should be among the best performers of the 44 stocks that accompany this feature.

Tom Nourse is yet another analyst out to test the efficient market theory. Can a renegade scientist succeed where so many others have failed? Keep watching.

The big test

Below, 44 securities selling at earnings multiples much higher than the market. According to Tom Nourse, publisher of Comparative Business Performance Reports, only 18 stocks will show superior performance: These issues are highlighted in yellow. Nourse's CBPR model favors companies that his computer slots as Invest or Protect positions; less desirable holdings are labeled Maintain and Review.

Company/principal business	Revenues (millions)	Recent price	——Latest 12-month—— EPS	P/E ratio	Yield	Book value per share	Strategic position
General Motors/automotive	$57,728.5	46⅜	$0.61	76.0	5.2%	$61.49	maintain
Coastal Corp/oil	5,115.4	49⅝	0.98	50.6	0.8	22.47	review
Fleetwood Enterprises/manufactured homes	427.6	10	0.22	45.5	5.2	9.56	protect
Pittston/coal, oil, armored cars	2,051.6	25¼	0.57	44.3	4.8	17.73	protect
General Host/food processing	424.7	18½	0.46	40.2	4.9	11.81	invest
North American Coal/coal	439.6	33¾	0.85	39.7	2.1	24.55	invest
MacMillan Inc/publishing	566.0	15¼	0.50	30.5	3.3	11.14	maintain
Akzona/chemicals	1,054.0	11⅞	0.46	25.8	6.7	27.18	review
Amdahl/computer equipment	394.4	30⅝	1.30	23.6	1.3	14.42	invest
M/A-Com/telecomm equipment	322.5	23⅛	0.99	23.4	0.5	4.29	invest
Wang Laboratories/computer equipment	856.4	29	1.36	21.3	0.4	3.76	invest
Ashland Oil/refining	8,118.4	38⅞	1.87	20.8	6.2	34.66	maintain
Dana/auto parts	2,524.0	25¼	1.26	20.0	6.3	24.48	invest
Echlin Manufacturing/auto parts	301.4	11⅝	0.58	20.0	4.5	8.84	invest
Federal Express/package delivery	589.5	57⅞	2.89	20.0	—	9.41	review
Dow Jones & Co/publishing	530.7	44¼	2.23	19.8	2.1	5.18	protect
Texas Oil & Gas/oil & gas	1,190.8	36¾	1.87	19.7	0.7	2.72	review
Wal-Mart Stores/retail	1,643.2	35⅝	1.83	19.5	0.7	7.68	invest
Waste Management/waste disposal	560.2	33	1.70	19.4	1.2	6.69	review
SEDCO/oilfield services	372.9	29⅛	1.52	19.2	1.0	10.68	invest
Hospital Corp of America/health care services	1,428.5	37¼	1.99	18.7	0.9	9.70	invest
Empire Inc/distributes LP-gas	357.7	19¾	1.07	18.5	2.0	10.57	maintain
E-Systems/electronics	442.2	44¼	2.42	18.3	2.3	20.00	invest
Tandy Corp/retail electronics	1,691.4	29⅞	1.65	18.1	—	3.12	protect
Hewlett-Packard/precision instruments	3,099.0	43½	2.44	17.8	0.6	12.85	invest
Automatic Data Processing/computer services	558.4	26¾	1.51	17.7	1.6	5.13	invest
Electronic Data Systems/computer services	454.6	24¼	1.39	17.4	2.5	5.17	maintain
EG&G Inc/precision instruments	613.1	36	2.09	17.2	1.4	7.93	maintain
Masonite/building materials	510.6	36⅜	2.13	17.1	3.6	19.68	maintain
Weyerhaeuser/forest products	4,535.8	30⅞	1.83	16.9	4.2	20.96	maintain
Beckman Instruments/precision instruments	618.1	29⅝	1.76	16.8	1.2	13.56	invest
Mesa Petroleum/oil & gas explor & dev	372.4	24⅞	1.52	16.4	0.5	7.59	review
Storage Technology/computer equipment	603.5	31½	1.94	16.2	—	9.07	invest
Humana/health care services	1,116.8	33	2.09	15.8	1.8	4.23	review
Warner Communic/entertainment, comm	2,059.4	43¾	2.78	15.7	1.6	12.55	maintain
Dun & Bradstreet/publishing	1,176.1	62	3.97	15.6	3.8	7.51	protect
American Bakeries/food processing	535.6	15½	1.00	15.5	—	22.14	invest
Advanced Micro-Devices/electronics	309.4	18⅜	1.21	15.2	—	7.70	invest
Western Co of North America/oilfield services	457.5	27	1.79	15.1	0.7	5.73	invest
Oak Industries/CATV, electronics	385.6	29¾	1.99	14.9	0.8	12.33	invest
Geosource/oilfield products & services	441.3	52	3.51	14.8	1.0	11.74	invest
First Mississippi/chemicals, oil & gas	357.7	20¼	1.38	14.7	1.2	5.28	protect
Cox Broadcasting/broadcasting, CATV, pub	309.2	64¾	4.47	14.5	0.8	12.98	invest
Time Inc/publishing, forest products	2,881.8	72⅞	5.08	14.3	2.7	31.84	invest

Sources: Nourse Associates, Standard & Poor's.

CTOBER 12, 1981 TWO DOLLARS FIFTY CENTS

Forbes

J.K. Galbraith revisits Adam Smith

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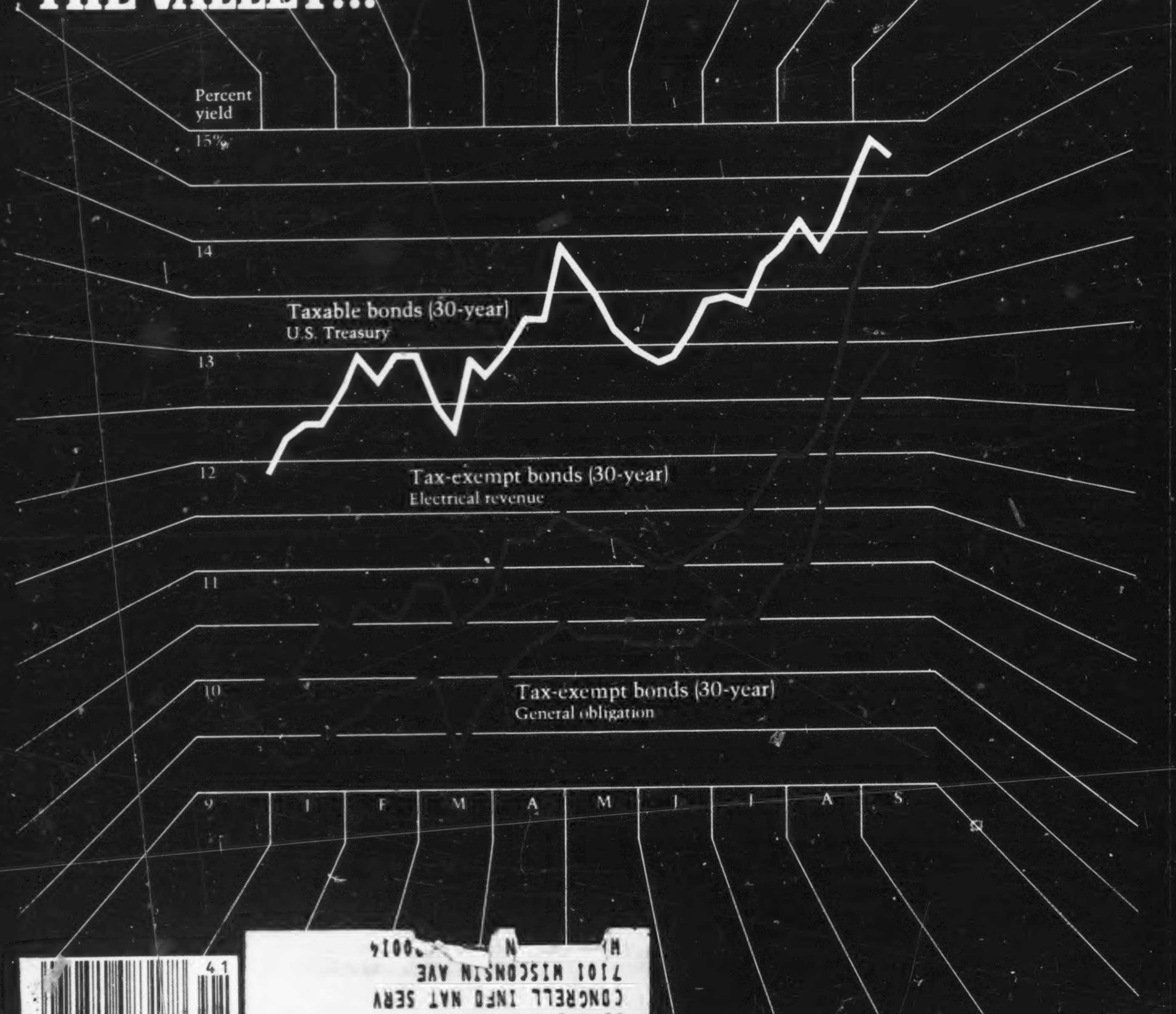
"YEA, THOUGH WE WALK THROUGH THE VALLEY..."



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Forbes

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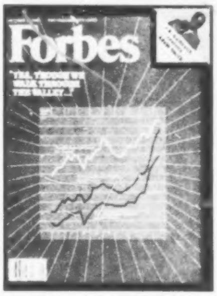

151 *Cover Story: "The time has come," says one of America's top financiers worried about the bond market, "to decide whether tax exemption is worthwhile."*

31 *Penn Central: Will Dicker's critics on the board go public with their quarrel?*

47 *As I See It: Alec Nove, renowned economist and expert on the Soviet Union, foresees a power struggle there.*

31 Companies:
Penn Central Corp.
Richard Dicker has the image of a miracle worker. But not everyone appreciates his $1.4 billion offer for Colt Industries.

32 Companies:
Chicago, Rock Island & Pacific
The end of the line—or the beginning?

34 Companies:
Bally Manufacturing
The video games bonanza won't be enough.

36 Investments:
A Parable With An Economic Moral
The tale of the church-going developer.

38 Tax Shelters:
Psst! Wanna Buy A Subway Car?
Has New York got a deal for you.

47 As I See It:
Alec Nove
Some perspective on the U.S.S.R.

55 Companies:
General Cinema
Who says movies and soft drinks don't mix?

58 Government:
RIF Song
Government workers *can* be fired after all.

62 Taxing Matters:
Appraisers, Shelters, Death Tax II
Taking the fun out of the donation game; taking aim at shelters; and, *now* can you afford to die?

72 The Numbers Game:
Did They Pay Too Much?
Look beneath the surface.

91 Indonesia:
The View From Jakarta
Where China, the U.S.S.R. and Vietnam all present a threat.

100 Government:
Paying Uncle Sam's Bills Abroad
Believe it—a government agency that works.

111 Companies:
International Bank Of Washington
A general's flawed dream.

116 Companies:
Consolidated Natural Gas
A producer in distributor's clothing.

118 The Up-And-Comers:
Med General Inc.
Sure enough, it was too good to be true.

130 Companies:
Dome Petroleum
Does it really intend to build those ships?

132 Helicopters:
Is The Civilian Market Here At Last?
After 35 years, it looks that way.

145 Profiles:
Chicago's Larry Levy
It all started with a corned beef sandwich.

151 Cover Story:
Municipal Chaos
For borrowers, it means prospects are dire. For investors, it looks more like a once-in-a-lifetime opportunity.

160 The Thrifts:
Those Curious All Savers Certificates
Our newest financial boondoggle.

166 Fort Worth:
Building A Boomtown Early
Texas *panache*, Texas confidence.

171 Companies:
Gulf Resources & Chemical Corp.
Is it doomed without silver? Hardly.

174 Investments:
Problems With SIPC's Protection
It may tend to shake your confidence.

176 The Funds:
Batterymarch; Lindner
No more random walks at Batterymarch; "they've got to be cheap" at Lindner.

188 Companies:
Datapoint Corp.
When does a mouse become an elephant?

194 As I See It:
Population Expert Ansley Coale
Scorekeeping in the Malthusian marathon.

199 Personal Affairs
Second-half tax planning; visiting Chicago.

210 The Up-And-Comers:
Blocker Energy Corp.
John Blocker has put it all on the line.

118 *The Up-And-Comers: The decline and fall of Med General Inc.*

132 *Helicopters: At last, a civilian market.*

188 *Datapoint Corp.: Who's afraid of IBM, Xerox, Wang or even AT&T?*

242 *The Money Men: To technical analyst Alan Shaw: "This looks like the middle of a real bear market."*

218 Companies:
Overnite Transportation Co.
A little TLC keeps the Teamsters away.

224 Economists:
An Adam Smith Sampler
Selected and with commentary by John Kenneth Galbraith.

236 Automobiles:
Japan and Britain
Supersalesmen and smart entrepreneurs.

242 The Money Men:
Alan Shaw
A technical analyst with a wacky streak.

243 The Streetwalker:
George Soros; Saxon; Phibro
What went wrong with Soros? Will anything ever go right with Saxon? And, why is Phibro an interest-rate play?

246 Investments:
Financial Futures
If you haven't had enough already. . . .

Faces Behind The Figures

250 Paul Thayer,
LTV Corp.
250 Richard Dunhill,
Alfred Dunhill of London, Ltd.
250 Wendy Luscombe,
British National Coal Board
253 Dorothy Spielman,
Consumer
253 Alvin C. Rice,
Imperial Bank
256 Joseph P. Kennedy II,
Citizens Energy Corp.
256 Robert Kinney,
Investors Group of Companies
256 Eli Timoner,
Air Florida
258 Thomas J. Owen,
Perpetual American Federal Savings & Loan

264 Statistical Spotlight:
If You're Betting On A Turnaround. . . .
Buy the stocks that went down the *most*, goes the old rule, and those that went down the *least*. Here's an assortment of each.

Money And Investments

25
What's Ahead For Business
26
The Forbes Index
261
The Forbes/Wilshire 5000 Review

Columnists

273
Ben Weberman
274
Heinz H. Biel
275
Ashby Bladen
276
Srully Blotnick
277
Stanley W. Angrist
278
Richard B. Hoey
280
John Train

Departments

6
Side Lines
8
Trends
10
Follow-Through
14
Readers Say
19
Fact and Comment
22
Other Comments
284
Editorial Index
285
Flashbacks
286
Thoughts

Photos:
6, Robert Forbes; 8, 92 top, Philippe Ledru/Sygma; 10, Ray Fisher; 12, Tom Zimberhoff; 31, 253 right, Pat Pagnano; 33, 34, 35, 145, 146, Richard Faverty; 36, 258 center, Jim Pickerell; 47, Robin Laurance; 48, Sygma; 55, 176, Steve Liss/Liaison; 58, 111, Eric Poggenpohl; 92 bottom, Timothy Newcomb; 98, UPI; 100, 106, François Lehr/Liaison; 116, 118, 188, Don Connally/Liaison; 124, Minneapolis Star; 130, George Cardozo; 140 left, Jim McHugh; 140 right, 166, Shelly Katz; 158, Rococ Color Slides; 172, Leo Touchet/Woodfin Camp; 174, Lyn Pelham; 182, Bob Bishop/Camera 5; 194 left, Darolle/Sygma; 194 right, Henri Bureau/Sygma; 195, 242, Bill Kelly; 201, Hal Stoelze; 204, 206, Arnold Zann/Black Star; 210, David Nance; 214, John Grossman; 220, Don Rutledge/Black Star; 236, 238, Kaku Kurita/Liaison; 250 right, Lawrence Barnes; 253 left, 258 left, Theo Westenberger/Liaison; 253 center, Peggy Ann Dolman/NY Times; 256 left, Doug Bruce/Camera 5; 256 right, Craig Perman; 258 right, Richard Ferro/Black Star

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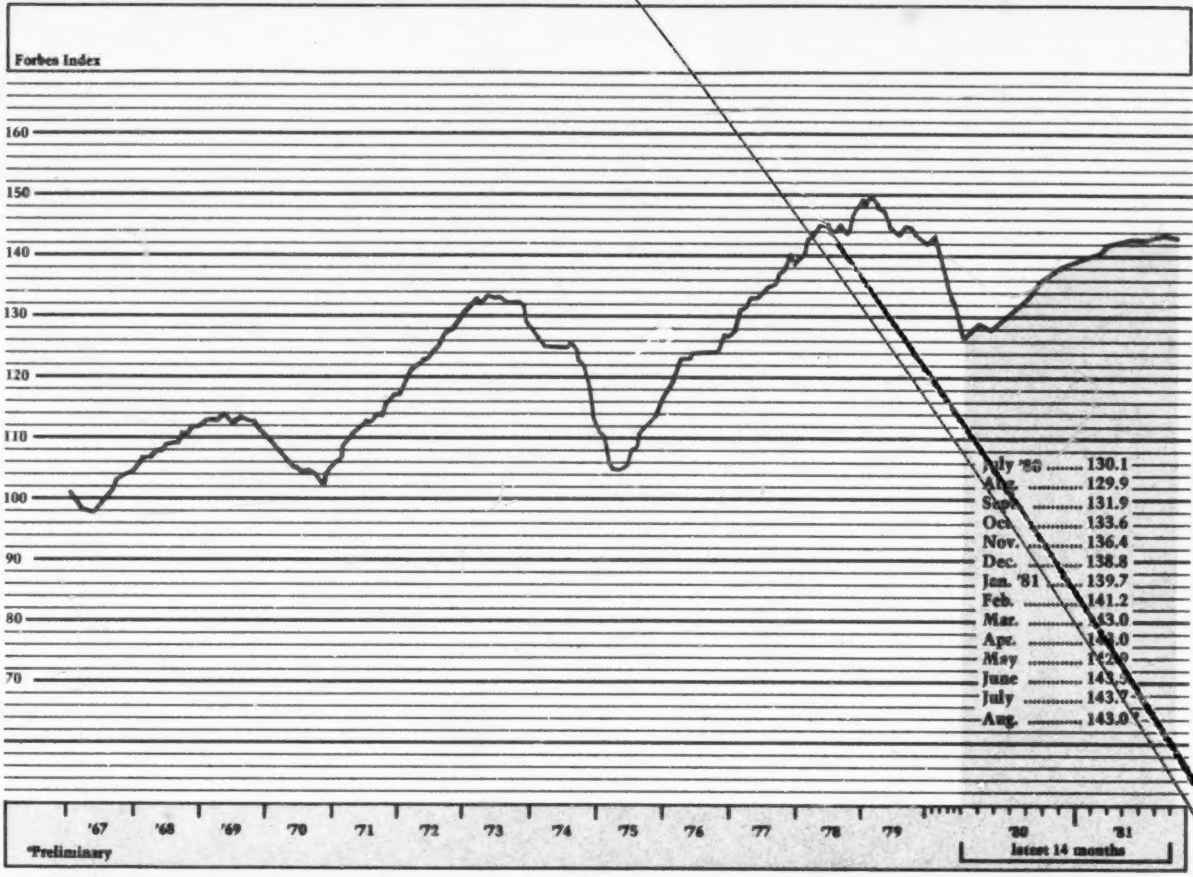
The Forbes Index



July '80	130.1
Aug.	129.9
Sept.	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.7
Feb.	141.2
Mar.	143.0
Apr.	14[illegible].0
May	142.9
June	143.5
July	143.7
Aug.	143.0*

The Forbes Index Components

Down—but maybe not out. Preliminary figures indicate that the latest Forbes Index is off by 0.5%. If this figure holds, it will mark the biggest decline since June 1980. A whopping 14.5% decrease in housing starts and a minor drop in industrial production are responsible for the turnaround. The decline was moderated by slight gains in personal income and retail sales. But the Index may improve if other components show strong advances.

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

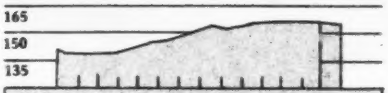
Total retail sales

New housing starts

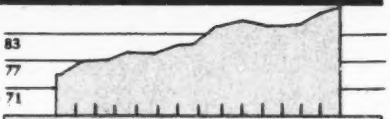
Personal income

The change in the amount of consumer installment debt outstanding

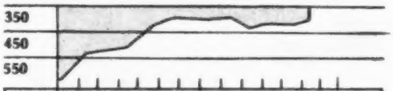
To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



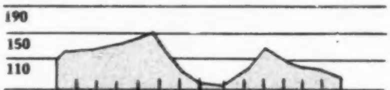
Industrial production index (1967=100) seasonally adjusted (Federal Reserve)



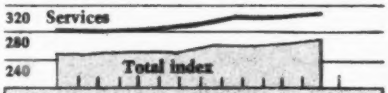
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)



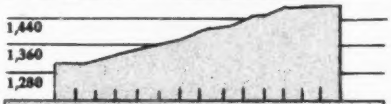
Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)



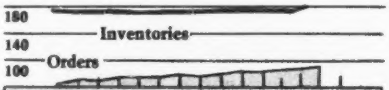
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)



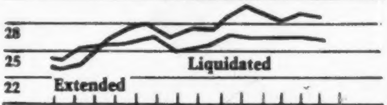
Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

The All Savers certificate is supposed to be a cheap way to help savings and loans. But the numbers tell a different story.

The case of the curious statistic

By Allan Sloan
with Laura Rohmann

THERE ARE THREE kinds of lies: lies, damned lies and statistics," runs the bromide. The congressmen who voted to approve our newest financial boondoggle, the All Savers certificate, would have done well to ponder that saying before they threw billions of tax dollars at the savings and loan industry's problem without understanding what they were buying with our money.

On the surface, the All Savers certificates, which went into effect Oct. 1, seem harmless enough. They give savers tax-exempt interest at 70% of the yield of one-year Treasury bills. They're supposed to encourage saving, which is all the rage these days. The rationale for creating yet another tax-exempt security *(see cover story, p. 151)* is that All Savers would, at relatively modest cost, channel hundreds of billions of cheap dollars into S&Ls and thus stimulate the stricken housing industry.

But if hundreds of billions of dollars flow into All Savers certificates—which won't happen unless the law is changed—the tax loss will be far greater than Congress thought. If a relatively small amount of money flows into the accounts, it won't help S&Ls much. In any event, it will cost the government about $4 in lost tax revenues for each dollar of benefits for the S&Ls.

Our tale begins with three financial projections made last summer. Each was the product of brainy people from prestigious outfits and each forecast roughly equal tax losses from the All Savers program: $3.3 billion by the staff of Congress' Joint Committee on Taxation, $4.1 billion by Wharton Econometric Forecasting Associates (hired by the U.S. League of Savings Associations) and $5.2 billion by the Treasury. That all looked reasonable compared with the roughly $2 billion that could be saved by reducing the $200 single return/$400 joint return interest and dividend exclusion to $100/$200 for dividends only. The exclusion was cut, and All Savers roared through.

All Savers permit S&Ls, banks, savings banks and credit unions to issue one-year certificates from Oct. 1 through the end of 1982. Up to $1,000 of All Savers interest ($2,000 for a married couple filing a joint return) is tax-exempt. The Treasury takes a beating on the deal because All Savers move money from accounts that produce taxable income. Switching $5,000 from a 15% bank money market certificate into an All Savers certificate would take $750 from taxable revenue. If the taxpayer is in the 43% bracket, that means $322.50 of lost revenue.

The size of the revenue loss depends on how much money goes into All Savers, how much taxable interest it was earning where it was and the tax bracket of the investors buying the certificates. Because the Joint Committee on Taxation, the Treasury and Wharton Econometric all produced roughly the same tax-loss numbers, everyone was pretty happy with them.

They shouldn't have been. The Wharton study's assumptions differed greatly from those in the other two. The Joint Committee on Taxation assumed $65 billion would be put into All Savers, the Treasury assumed $120 billion and Wharton an astonishing $238 billion. The Wharton number, which the S&L lobbyists now round up to $250 billion, somehow managed to produce a tax loss smaller than the Treasury's.

Wharton assumes that the $238 billion of All Savers money would be earning 11% interest were it not in tax-exempt certificates. That 11%, a low number, would have produced taxable interest revenues of $26.2 billion. Since another Wharton assumption was that the people holding All Savers are in a marginal tax bracket averaging 40%, that would mean a tax loss of $10.5 billion. That's quite a bit different from $4.1 billion. Nariman Behravesh, the Wharton econometrician in charge of this study, passes the buck. "We only did computations," he says. "All those assumptions and the $4 billion came from Jim Christian, [head economist at the U.S. League of Savings Associations]."

What's a few billion among friends?

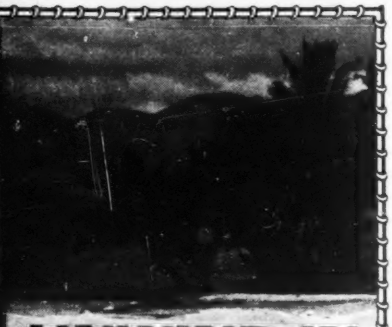
These are estimates of how much money will flow into All Savers accounts over the next 15 months, along with the tax loss to the Treasury generated by switching taxable interest income into tax-exempt deposits. Notice the variation—and the fact that the League of Savings Associations somehow manages to project twice as much in deposits as the Treasury does, while anticipating a smaller tax loss.

	Amount (billion)	Rate earned pre-All Savers	Tax loss (billion)
Treasury	$120	11.4%	$ 5.2
Joint Taxation Committee	65	12	3.3
Data Resources Inc	237	12.5	14.0
US League of Savings Assns	238	11	4.1

Christian referred our multiplication question to Jim Kaden, the man who prepared the league's computations. Kaden conceded that the $4.1 billion tax loss was for only one year. But All Savers, some of which will mature as late as 1983, obviously involve three years of lost taxes: 1981, 1982 and 1983.

Another study, by Data Resources, a private econometric firm, never surfaced during the congressional debate. It estimates that $237 billion—just $1 billion less than Wharton's number—will go into All Savers. But it pegs the tax loss at $14 billion, more than triple Wharton's number.

Why quibble over a difference of a



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mere $10 billion? Wouldn't $238 billion of relatively cheap deposits help the S&L industry? Wouldn't that stimulate housing and do wonderful things? Perhaps. But the way the law is written there seems little chance that anything like $238 billion will find its way into those accounts. And even if it does, it's doubtful more than half the money will reach S&Ls.

Consider these numbers. The one-year certificates, advertised for people in the 30%-and-up federal tax brackets, allow a person to earn only $1,000 tax-free. At the rate of 12.61% set for the first batch of All Savers, an investment of $7,930 produces the maximum tax-exempt interest. And the $1,000 is a once-in-a-lifetime—not once-a-year—exclusion. If no one invests more than $8,000 in a certificate—corporations and businesses can't buy them—it would take almost 30 million customers to get to $238 billion.

No one knows how many people are in the 30%-and-above tax bracket, which requires a taxable income after deductions of $15,000 for singles and $24,600 for a joint return. The best number available seems to be an estimate by Tom Bloch of H&R Block, the tax return preparation company. He estimates there were 33 million people (counting joint returns as two) in those brackets last year. Throw in bracket creep, and call it 40 million this year, 45 million next year. Even with those generous assumptions, it takes two-thirds of the potential customers putting up $8,000 each to reach $238 billion.

Some analysts have come up with figures similar to $238 billion, saying that because money-market certificates became 20% of S&L deposits virtually overnight, All Savers could do the same. But there are no limits on the amount of money-market certificates a person can hold.

No one is expecting All Savers to draw money out from under people's mattresses. The assumption is that the new certificates will lure funds from other accounts. To make that easier, regulators are allowing banks and S&Ls to convert six-month money market certificates to All Savers without charging prepayment penalties. But do two-thirds of the single people in the $15,000 bracket have $8,000 squirreled away somewhere? If they all don't and if every one of them doesn't switch to an All Savers, then Congress will have to change the law if it wants to generate hundreds of billions of All Savers deposits.

No one, of course, knows what the interest rate on All Savers certificates will average. New ones will be established every month, based on the current one-year T-bill rate. But for S&Ls to benefit, All Savers will have to cost substantially less than the funds they already have on deposit. The S&L industry and the Treasury project rates of 11% and 11.4%, respectively, being earned on money that will flow to All Savers. But the All Savers rate for the first batch was 12.61%—a negative spread. If you figure that the All Savers money will replace 15% six-month certificates or 18% jumbo certificates of deposit, the S&Ls benefit. But the loss to the Treasury rises like a shot.

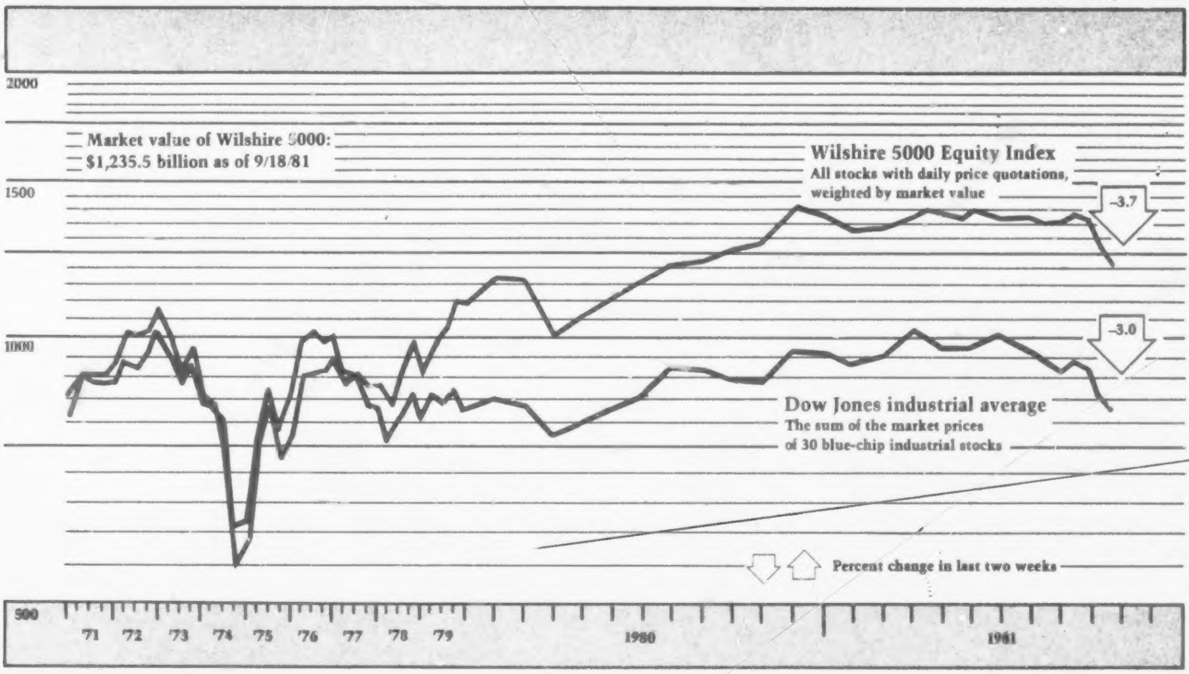
Assume, for the sake of discussion, that $238 billion of All Savers certificates are created, half going to S&Ls, the rest going to banks and credit unions. If the $238 billion would otherwise be earning 15% for people in the 40% average bracket, that's $14.3 billion of lost revenue ($238 billion x 15% x 40%). If the S&Ls pay an average of 12% on All Savers, they benefit by 3%: a benefit to them of $3.57 billion ($119 billion x 3%). But the Treasury, remember, will lose 4 times that amount.

Why quibble over a mere $10 billion? Wouldn't that stimulate housing? Perhaps. But as the law stands, there's little chance that anything like $238 billion will find its way into All Savers. Even if it does, S&Ls will do well to get half the money.

Savings and loan lobbyists try to gloss over concerns like these with supply-side calculations designed to show that helping their industry will stimulate so much activity that tax revenues will barely suffer. (These supply-side numbers are not to be confused with the $4.1 billion tax-loss projection. It's a different study.) But among other things, the supply-side calculations don't allow for the fact that the mortgage loans the S&Ls claim they will make with All Savers money will produce interest tax deductions for borrowers. The murky gets murkier.

What does all this mean? If Congress wants to help S&Ls, fine. But we thought the idea of throwing billions of dollars at problems to solve them by osmosis was supposed to have gone out with Jimmy Carter and the Democrats. ■

The Forbes/Wilshire 5000 Review



When will the fall be over? Until then, each new low prompts another round of margin calls and the slump feeds itself. Still, daily trading volume in this bear market has tended to be on the low side. Several analysts believe that the market needs to purge itself before bottoming out. So expect a heavy volume of selling before any rally.

While overall market performance over the last four weeks has been dismal, the ASE stocks were hit hardest. The NYSE index was off 10.4%, about in line with the 11% loss registered by the Wilshire. But the ASE market value index fell a hefty 17.6%—a reflection of weakness in both secondary issues and in oils. The slump in the Wilshire translates into a $154 billion loss in value.

As our Statistical Spotlight on page 264 illustrates, secondary stocks have taken the biggest beating. During the last four weeks low-yield, high-growth and high-volatility securities have had much greater setbacks than their more conservative counterparts. The good news is that many secondary stocks are now descending to bargain levels. Now is the time to start shopping securities.

The curse of high interest levels, of course, is what is keeping investors away. Given this summer's succession of false peaks in the money markets, it will take more than just a slight decline in the prime to spark a spree on Wall Street. So don't be in a big rush to snap up equities at a discount today. Prices could get even cheaper.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	–11.0	–9.2	–10.4	–17.6	–10.9
in last 52 weeks	–9.3	–13.2	–10.1	–11.7	–5.7

Stock performance based on five key investor yardsticks

Percent change	Volatility *		P/E multiple		Dividend yield		Growth profile †		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	–13.9	–5.2	–15.4	–9.2	–5.6	–11.2	–14.3	–7.3	–10.5	–10.6
in last 52 weeks	–7.1	4.7	–10.0	–1.7	–2.5	0.2	–5.9	1.2	–9.2	3.7

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

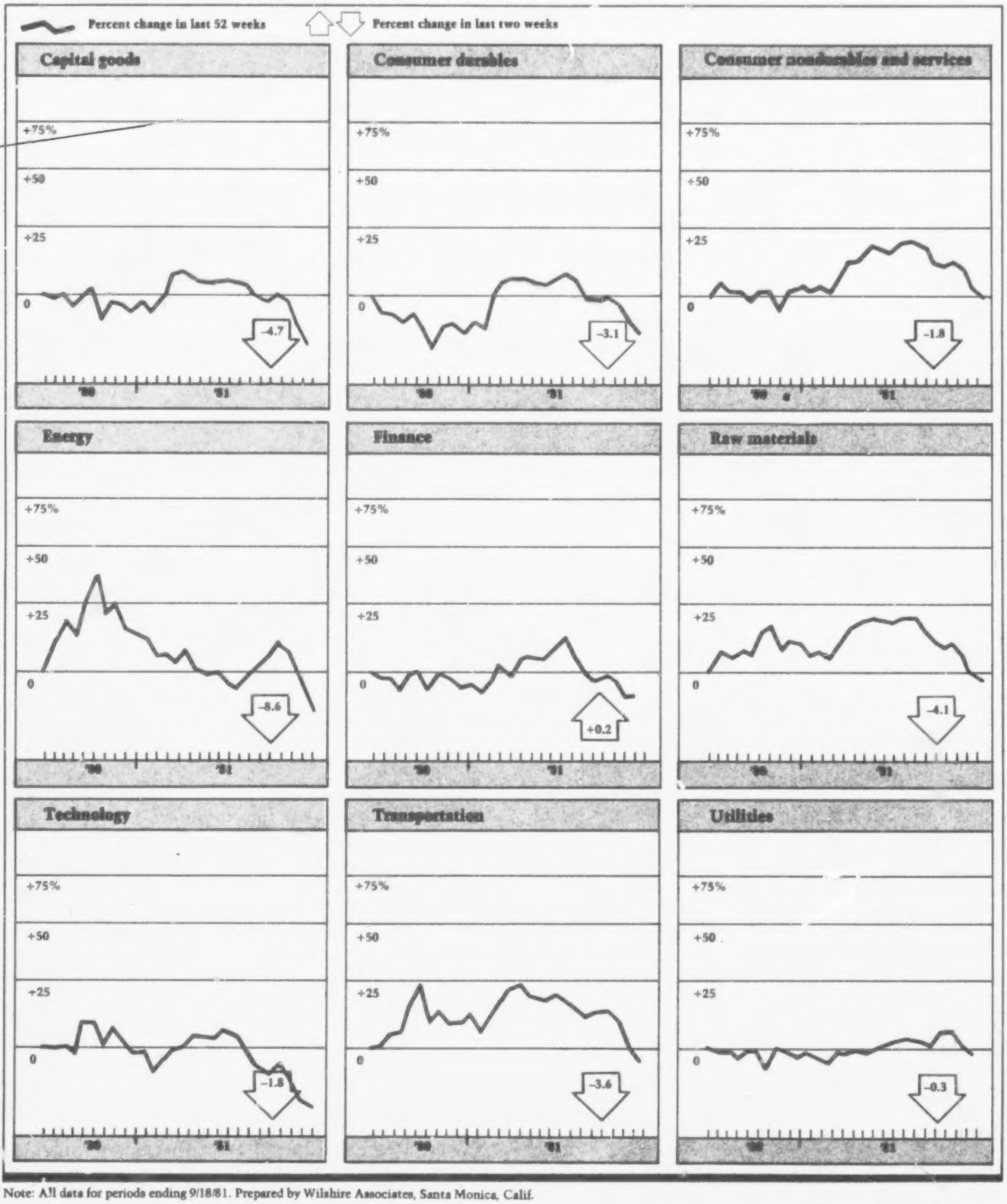
Note: All data for periods ending 9/18/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

It was a rough two weeks. Eight of nine sectors fell further behind. Only finance bucked the trend. A rash of S&L mergers buoyed hopes for the recovery of this industry and produced a slim 0.2% gain. While high interest rates are hurting lending institutions, however, they make utilities look attractive. These stocks registered a 0.3% setback, while energy companies, hit hard, lost 8.6%.

In previous weeks, technology stocks have generally underperformed the market by a wide margin. Although this group lost another 1.8% during the current period, it fared much better than the major market indicators—a sign that things could be moderating.

Two weeks ago three sectors still showed gains for the past year. All are in the red now. This is a clear sign that the market decline is widespread. But all stocks are not treated with the same disdain. Technology companies are down by 18.9%, while utilities are in the red by only 1%.



Note: All data for periods ending 9/18/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Bear market pickings: the New York Stock Exchange

Here are the 25 companies that fared best during the recent market decline and the 25 that fared worst. If an old market adage is correct, there are choice investment opportunities to be found on both lists.

The best performers

Company/principal business	% change since June 11, 1981	Recent price	52-week price range	—Latest 12-month— earnings per share	—Latest 12-month— price/earnings ratio	Dividend	Yield	Book value per share
Southland Royalty/oil and gas	47%	34	41 –21	$0.65	52.3	$ .04	0.1%	$ 2.17
Copperweld/specialty steel	29	39½	47½–19¼	5.08	7.7	1.60	4.1	27.70
Pioneer Corp/oil and gas	26	27½	33⅜–21⅝	2.74	10.0	0.88	3.2	8.99
Amalgamated Sugar/sugar	25	43⅝	66⅞–29	13.92	3.1	6.25	14.3	54.25
McDermott/oilfield services	21	34¾	46⅝–27	3.20	10.8	1.60	4.6	19.90
RAMPAC/REIT	20	26¼	27¼–17⅞	1.42	18.4	1.80	6.9	17.82
Marathon Oil/oil	19	59¾	82½–44¾	4.83	12.3	2.00	3.3	32.96
Pacific Tel & Tel/telecommunications	19	16⅛	17¼–11¾	1.76	9.1	1.40	8.7	21.58
Chicago & NW Transp/railroad	17	32½	36⅜–14	3.99	8.1	—	—	d
Enserch/oil and gas	17	29⅛	40 –23⅛	3.30	8.8	1.36	4.7	14.96
Salant/apparel	16	9	9¾– 6⅜	0.86	10.4	—	—	16.04
Mountain Fuel Supply/natural gas	15	37	53⅜–30½	3.44	10.8	2.44	6.6	31.75
El Paso/natural gas	14	25	29½–19¼	1.89	13.2	1.48	5.9	9.16
North American Coal/coal mining	14	31⅜	45 –26⅜	0.85	36.9	0.72	2.3	24.32
Standard Oil of Calif/oil	13	41½	51¾–35⅛	7.37	5.6	2.40	5.8	35.12
Dreyfus/finance	12	18¾	20 –14⅛	2.94	6.3	0.82	4.4	6.93
Dome Mines/gold mining	11	23¼	32⅞–17¼	1.49	15.6	0.19	0.8	4.90
Fotomat/film processing	11	8½	9⅞– 5¾	0.04	NM	—	—	4.59
Gen Amer Oil Co of Texas/oil and gas	11	39⅝	61 –34	2.11	18.7	0.44	1.1	16.36
Kaneb Services/oilfield services	11	22⅛	40⅛–19⅜	2.40	9.2	1.00	4.5	12.48
Southern Natural Res/natural gas	11	32¼	37¼–27	3.83	8.4	1.10	3.4	21.62
Union Oil of Calif/oil and gas	11	35½	56½–28¼	3.82	9.2	0.80	2.3	21.73
United Energy Resources/natural gas	11	44½	56 –37½	7.28	6.1	1.92	4.3	28.96
United Guaranty/finance	10	34⅛	34¾–24¾	3.03	11.2	0.40	1.2	21.07
Williams Cos/fertilizer	9	30½	49⅞–25¾	4.56	6.6	1.20	3.9	31.92

The worst performers

Company/principal business	% change since June 11, 1981	Recent price	52-week price range	—Latest 12-month— earnings per share	—Latest 12-month— price/earnings ratio	Dividend	Yield	Book value per share
National Medical Care/health care svs	−56	9⅞	25⅞–10	1.39	7.1	0.46	4.7	4.68
AVX/electronics	−53	16½	45 –15⅝	d 0.02	NM	0.32	1.9	13.62
Prime Computer/computer equipment	−51	22⅛	49¼–21	1.19	18.5	—	—	4.03
Data Terminal Sys/electronic registers	−50	8⅝	28⅝– 8	d 2.57	NM	—	—	7.68
Gerber Scientific/computer equipment	−49	13¼	28½–12¼	1.00	13.2	0.12	0.9	5.43
Filmways/publishing, TV programs	−48	3⅞	10⅝– 3¾	d 10.54	NM	—	—	d
Mesta Machine/machinery	−48	7¼	18 – 7¼	d 35.80	NM	—	—	7.51
Mohawk Data Sciences/computer equip	−47	13⅞	31¾–11⅞	1.21	11.4	—	—	11.22
PSA/airline	−46	20¾	42½–20½	0.09	NM	0.60	2.9	28.90
Safeguard Sciences/electronics	−46	7⅝	15⅜– 4¼	0.26	29.3	—	—	5.73
Intl Harvester/agricultural equipment	−45	9⅝	35 – 8⅛	d 8.64	NM	—	—	53.30
Ramada Inns/hotels, casinos	−45	6⅜	11⅞– 5⅞	0.77	8.2	0.12	1.9	6.30
Deltona/develops land	−44	10½	19⅝– 9⅝	1.53	6.8	—	—	14.20
Republic Airlines/airline	−43	6	11⅝– 5¼	d 1.11	NM	0.10	1.7	4.51
Itek/precision instruments	−42	22½	42⅜–19¾	2.36	9.5	0.30	1.3	30.43
USAir/airline	−42	14⅝	26⅛–13¾	4.61	3.1	0.12	0.8	18.36
Veeco Instruments/electrical equip	−42	18⅛	33¾–17½	1.11	16.5	0.20	1.1	5.20
Arlen Realty & Development/real estate	−41	1⅝	4½– 1⅝	0.39	4.1	—	—	d
Compugraphic/photo typesetting	−41	13¾	31⅝–11¾	0.18	NM	—	—	19.39
Envirotech/pollution contr & mng equip	−41	8⅝	19⅜– 7⅝	d 1.16	NM	—	—	22.28
GenRad/electronics	−41	14⅜	33⅛–12⅜	0.74	19.4	0.08	0.6	9.75
Sav-A-Stop/retail	−41	9⅛	17⅛– 7⅝	1.42	6.4	0.10	1.1	9.19
Watkins-Johnson/electronics	−41	22	40 –20⅝	2.20	10.0	0.48	2.2	21.40
Allis-Chalmers/agricultural equip	−40	16¼	37⅛–15½	2.33	6.9	1.00	6.2	49.66
Sullair/machinery	−40	14⅜	35⅝–12	0.83	17.3	0.32	2.2	7.72

d: deficit. NM: not meaningful.

Source: Standard & Poor's, Rapidata

Statistical Spotlight

Bear market pickings: the American Stock Exchange

Here are the 25 companies that fared best during the recent market decline and the 25 that fared worst. If an old market adage is correct, there are choice investment opportunities to be found on both lists.

The best performers

Company/principal business	% change since June 11, 1981	Recent price	52 week price range	—Latest 12-month— earnings per share	price/ earnings ratio	Dividend	Yield	Book value per share
North Canadian Oils/oil and gas	65%	24½	29⅜–13¼	$1.91	12.8	—	—	$ 7.30
Volume Merchandise/retail	52	6¼	6½– 3⅞	1.34	4.6	0.13	2.0	11.00
Supron Energy/oil and gas expl, dev	43	29¾	36¼–15¾	0.83	35.8	0.12	0.4	4.08
Yankee Oil & Gas/oil and gas	43	15½	20 –10½	1.00	15.5	—	—	2.59
CMI/construction equipment	39	19½	22½– 5⅝	0.64	30.4	0.05	0.3	7.64
BRT Realty Trust/REIT	33	2	2⅝– 1¼	d 0.69	NM	—	—	1.59
Crawford Energy/energy	33	9½	10⅞– 7⅝	0.95	10.0	—	—	0.84
Sanmark-Stardust/apparel	32	3⅛	3¾– 2¼	0.05	62.4	—	—	1.32
Seaboard Allied Milling/food processing	32	26¼	34 –18⅜	4.38	5.9	0.50	1.9	39.57
Porta Systems/telecomm equip	31	17⅝	23¾–14¾	0.50	35.2	—	—	6.79
Adobe Oil & Gas/oil and gas	29	36	45¼–26½	1.51	23.8	0.20	0.6	8.11
Noel Industries/apparel	29	6⅛	6⅞– 2⅜	1.06	5.7	—	—	5.66
Standard Products/rubber and plastic	27	20¾	23½–10¾	4.12	5.0	0.60	2.9	29.72
Heldor Industries/swimming pools	24	9	10⅝– 8	0.85	10.5	—	—	2.53
Juniper Petroleum/oil and gas	23	15⅞	28 –11⅛	0.72	22.0	—	—	4.34
Pep Boys-Manny Moe Jack/retail	23	55½	60¼–34¾	7.61	7.2	1.20	2.2	45.27
Grubb & Ellis/real estate	22	4⅛	4½– 2⅝	0.22	18.7	—	—	13.69
United Cos Financial/finance	22	24	24½–12⅞	2.40	10.0	0.84	3.5	20.89
Guardsman Chemicals/spec chemicals	19	12¾	15¼–10⅜	0.90	14.2	0.55	4.3	8.68
Hudson's Bay Oil & Gas/oil and gas	19	34⅝	39¼–17½	1.41	24.6	0.27	0.8	7.58
Post/newspapers, broadcasting	19	24	31⅞–15⅜	1.55	15.4	0.40	1.7	0.31
Vertipile/textiles	19	5½	6¼– 3⅝	0.98	5.6	0.15	2.7	5.09
XOIL Energy Resources/oil and gas	19	17¼	17½–14	0.17	NM	—	—	1.25
American Biltrite/footwear	18	10¾	12⅞– 6¼	0.68	15.8	0.30	2.8	16.44
Numac Oil & Gas/oil and gas	18	28½	32¾–20¼	0.34	NM	0.17	0.6	5.99

The worst performers

Company/principal business	% change since June 11, 1981	Recent price	52-week price range	—Latest 12-month— earnings per share	price/ earnings ratio	Dividend	Yield	Book value per share
Data Access Systems/computer equip	−64%	5⅝	24⅛– 5¼	$ 1.31	4.2	$0.20	3.6%	$7.19
Instrument Sys/bldg and comm equip	−58	3⅛	12½– 3	d 2.06	NM	—	—	3.11
EECO/electronics	−54	7⅜	19 – 7	0.69	10.6	0.24	3.3	8.11
Vermont Research/computer equip	−52	12¼	35½–12¼	1.63	7.5	0.15	1.2	3.41
Bolt, Beranek & Newman/consulting	−51	10¼	25 – 8½	0.44	23.2	0.28	2.7	10.65
ATI/packaging	−50	1	2⅜– 1	d 0.93	NM	—	—	0.68
Coradian/telecomm equip	−48	5⅝	12¼– 4⅞	d 0.51	NM	—	—	2.72
Adams Resources & Energy/energy	−47	15⅞	35¼–14⅝	d 0.96	NM	—	—	4.21
Bradford National/computer services	−47	7¾	15⅝– 7	0.73	10.6	0.26	3.4	10.32
Aeronca/aerospace	−46	3¼	9⅜– 3	0.01	NM	—	—	2.36
Air Express Intl/freight forwarding	−46	8⅞	24⅝– 8¾	1.19	7.4	0.20	2.3	4.34
Anderson Jacobson/computer equip	−45	12⅛	25½–10¼	0.64	18.9	—	—	6.87
Willcox & Gibbs/sewing equip	−45	2	4 – 1⅞	0.45	4.4	—	—	4.07
Campanelli Industries/building	−44	3½	12 – 3¼	0.10	35.0	—	—	8.99
CompuDyne/communications	−44	5¾	10¾– 5	1.20	4.4	—	—	6.09
De Rose Industries/mfrd homes	−44	2¼	5⅛– 1⅞	0.03	75.0	—	—	1.46
Refinemet Intl/metal reclamation	−44	5½	14 – 4⅞	0.37	14.8	—	—	2.95
Solid State Scientific/electronics	−44	7½	24 – 6	0.66	11.3	—	—	7.04
Systems Planning/engineering	−44	4⅜	9½– 4⅛	0.64	6.8	0.24	5.5	7.10
Topaz/computer equipment	−44	11¼	19¾–11	0.66	17.0	0.08	0.7	3.86
Acton/food processing	−43	11½	21⅞–10⅞	1.13	10.1	0.40	3.5	6.82
Applied Data Research/computer svs	−43	13	25¼–13	1.32	9.8	—	—	6.58
Applied Devices/electronics	−43	3	6 – 2⅝	d 0.36	NM	—	—	0.01
Fair-Tex Mills/textiles	−43	1½	5⅜– 1⅛	d 0.40	NM	—	—	7.67
Salem/industrial equipment	−43	8¼	18½– 8¼	0.17	48.5	0.40	4.8	11.16

d: deficit. NM: not meaningful.

Source: Standard & Poor's, Rapidata.

Statistical Spotlight

Bear market pickings: over-the-counter stocks

Here are the 25 companies that fared best during the recent market decline and the 25 that fared worst. If an old market adage is correct, there are choice investment opportunities to be found on both lists.

The best performers

Company/principal business	% change since June 11, 1981	Recent price	52-week price range	—Latest 12-month— earnings per share	price/ earnings ratio	Dividend	Yield	Book value per share
Trans Western Exploration/oil and gas	112%	13	14⅝– 4¼	$d 0.15	NM	—	—	$ 0.90
Delta Queen Steamship/recreation	91	8⅛	8⅛– 3⅛*	0.43	18.9	—	—	8.77
Versa Technologies/rubber and fluids	59	18½	19 – 8⅞*	1.29	14.3	$0.24	1.3%	6.65
Advanced Monitoring Sys/prec instr	58	9½	11⅛– ¾	d 0.09	NM	—	—	0.10
Genova/building materials	53	2⅞	3 – 1⅝*	d 0.36	NM	—	—	3.67
First Colony Life Ins/insurance	49	61	67½–30	3.28	18.5	0.80	1.3	21.63
Patrick Industries/building materials	42	3⅜	3⅞– 1⅜*	d 0.12	NM	—	—	4.43
Service Fracturing/oilfield svs	38	21¾	28½–15½	1.05	20.7	—	—	5.73
Woodward & Lothrop/retail	38	36¼	40½–19¼	4.24	8.5	1.70	4.7	40.92
Lane Wood/multicompany	36	3¾	4⅝– 1⅝*	0.30	12.5	—	—	4.63
Data Packaging/packaging	35	8¼	8¼– 5¾*	0.46	17.9	—	—	9.36
Hart Exploration & Production/oil & gas	33	4¹⁄₁₆	5⅜– 2⅞*	d 0.10	NM	—	—	0.48
Snelling & Snelling/personnel agencies	32	6¼	8½– 4*	1.07	5.8	0.17	2.7	4.60
President Brand Gold Mng ADR/gold	31	45¼	59¾–27*	18.66	2.4	7.03	15.5	NA
Victoria Bankshares/banking	31	32½	32½–20*	3.50	9.2	0.80	2.5	23.05
Jones & Vining/footwear materials	29	4½	6 – 3⅜*	0.94	4.7	—	—	6.25
Transport Life Insurance/insurance	29	16¼	15½– 7½	1.72	9.4	—	—	6.50
Fey Industries/promotional products	28	2⅞	3¼– 2*	0.50	5.7	0.24	8.3	1.57
Wolverine Aluminum/aluminum siding	27	9⅞	14¼– 7½	0.28	35.2	0.20	2.0	14.31
Hamilton Bros Petroleum/oil and gas	26	26½	30 –16⅜	1.95	13.5	0.10	0.4	10.26
Consolidated Accessories/apparel	25	10	10 – 6¾*	1.56	6.4	0.24	2.4	20.18
National Color Labs/photoprocessing	25	3⅛	3⅛– 2½*	0.50	6.2	0.06	1.9	3.36
Amer Medical Prods/health care equip	24	6½	7¼– 2⅜*	0.20	32.5	0.05	0.8	0.52
Citytrust Bancorp/banking	24	20½	22½–12¾	3.75	5.4	1.16	5.7	28.32
Manning May Oil/oil and gas	24	4½	8½– 3¼	d 0.20	NM	—	—	0.46

The worst performers

Company/principal business	% change since June 11, 1981	Recent price	52-week price range	—Latest 12-month— earnings per share	price/ earnings ratio	Dividend	Yield	Book value per share
APF Electronics/electronics	– 91%	¼	13 – ¼	$d 2.98	NM	—	—	$0.73
Solid State Tech/computer equip	– 84	¹⁵⁄₁₆	14¼– ⅝	d 1.28	NM	—	—	0.03
Osrow Products/household products	– 81	⅝	4⅝– ⅜	d 0.34	NM	—	—	0.78
Bunnington/metal fabrication	– 78	2¾	12½– 2½	d 0.76	NM	—	—	1.01
Aerosonic/aerospace	– 77	2¾	12⅜– 2½	0.10	27.5	—	—	1.52
FSC/finance, refining	– 76	⅝	4¾– ½	d 3.23	NM	—	—	1.43
Dash Inds/textiles, computer equip	– 70	⅞	5⅛– ⅝	d 0.03	NM	—	—	0.71
Specialized Systems/telecomm equip	– 69	4¼	15⅛– 4¼*	d 0.37	NM	—	—	0.82
Renal Devices/health care equipment	– 66	2⅛	7⅝– 2⅛*	d 2.79	NM	—	—	0.51
Standard Logic/computer equipment	– 65	3⅝	12⅝– 3⅜	d 0.41	NM	—	—	0.91
Bonanza International/restaurants	– 64	2⅜	6⅞– 2⅜	d 0.29	NM	—	—	4.11
Horizons Research/photo supplies	– 64	3¼	9½– 3¼*	0.43	7.5	—	—	1.39
Maxon Industries/industrial equipment	– 64	1¼	6½– ¾*	d 4.36	NM	—	—	0.93
Mini-Computer Sys/computer equip	– 64	1⅛	4¼– 1⅛	d 2.79	NM	—	—	0.20
Reliable Investors/insurance	– 64	1¾	15 – ¾	d 4.93	NM	—	—	5.79
Natl Environ Contr/waste mgmt	– 63	1⅜	4⅝– 1⅜	0.04	34.2	—	—	0.56
CGA Computer Assoc/computer svs	– 62	5	16½– 5	0.63	7.9	—	—	3.77
Computer Magnetics/electrical equip	– 62	2¾	8 – 2¾*	0.38	7.2	—	—	1.81
Infotron Systems/telecomm equip	– 61	15½	45 –14½	0.67	23.1	—	—	4.40
Vacation Spa Resort/recreation	– 61	¾	2¾– ¾*	0.08	9.3	—	—	0.24
Executive House/hotels	– 60	½	1¾– ½*	0.09	5.5	—	—	0.30
Levin Computer/computer leasing	– 58	1⅝	5⅝– 1⅝*	d 0.08	NM	—	—	1.79
Nu-Med Systems/financial svs	– 58	2⅛	8 – 1⅞	d 0.43	NM	—	—	0.08
Biotech Research Lab/biotechnology	– 57	12¼	28½– 6¼*	0.02	NM	—	—	1.68
Randando Oil & Minerals/oil and gas	– 57	1⅞	8½– 1⅝	d 0.11	NM	—	—	0.86

*1981 range. d: deficit. NA: Not available. NM: not meaningful.

Source: Standard & Poor's, Rapidata.

NOTE

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Cover 1, p. 4-5, 34, 62, 67-

68, 174, 177, 203-204.

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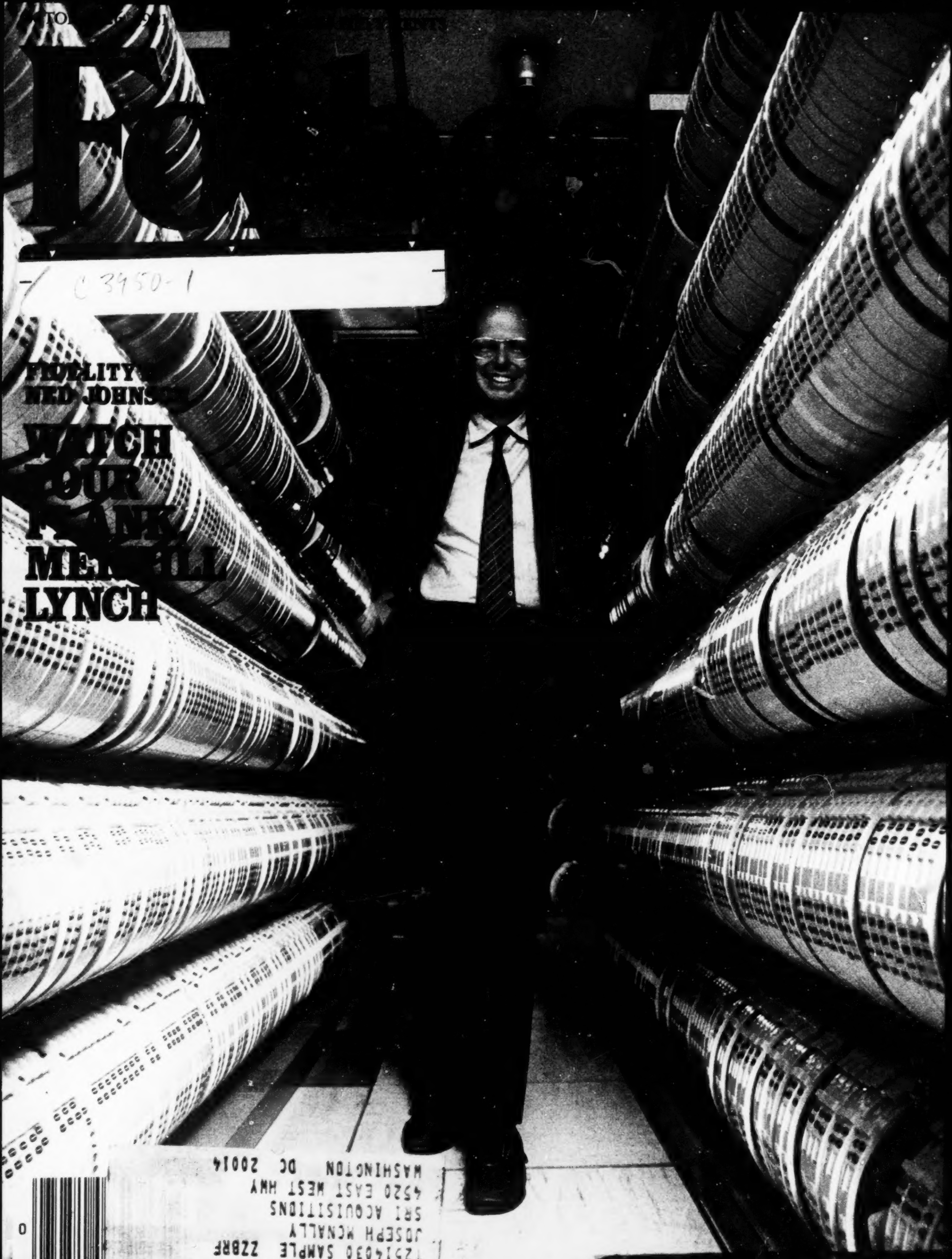

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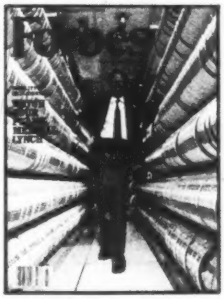


158 *Cover Story: Following a legendary businessman is never easy. It's doubly hard when the legend was your father. But Edward C. Johnson 3d seems to be doing it in style.*

41 *Venezuela: With nations as with men, great sudden wealth is as much a hazard as a help.*

59 *Justin Industries: "It hurts less to bite a few bullets in bad times than to see profits go out the window in good times."*

39 The Thrifts:
A Contrarian's View
If it's always darkest before the dawn, here's a little night music.

40 Labor:
The Boom In Decertification
It has the unions plenty worried.

41 Venezuela:
The Problem Is Politics
Money alone does not an economy build.

42 Companies:
Sears, Roebuck
Shrewd move or corporate fad?

43 Companies:
RCA Corp.
Does it have an Edsel on its hands in its new VideoDisc players? The company isn't worried. The dealers are.

44 Companies:
American Telephone & Telegraph
How the accountants plan to add $2.6 billion to its cash flow.

46 Companies:
Uniroyal
After the retread, full speed ahead.

51 The Market:
The Most Dangerous Game . . .
Is trying to pick the bottom.

54 Companies:
Federal National Mortgage Association
David Maxwell has a sense of humor—and needs it.

59 Companies:
Justin Industries
Is John Justin a prophet? Or merely a true believer? The difference is crucial.

62 Companies:
United Parcel Service
The brown giant tries wings.

70 Class-Action Litigation:
A Little Help For Defendants?
Maybe Congress will provide it.

75 Companies:
Southern Natural Resources
Why Henry Goodrich stopped thinking about retirement.

77 Automation:
Robotics In Japan
Not just kid stuff.

80 The Up-And-Comers:
Three Rivers Computer
You *can* still start a company in the basement—or, more precisely, in four basements.

87 The Up-And-Comers:
National Education Corp.
Is it marketing? Or is it education?

90 Government:
Loan Guarantees—The Hidden Cost
Because it's hidden, it's hard to cure.

95 Companies:
National Steel
If it works, it must be synergy.

98 The Money Men:
Britain's Hugh Jenkins
The man who likes rainy days.

135 Real Estate:
Gold In Tinseltown
Those old movie lots add up to more than $1 billion worth of real estate.

139 Consumer Finance:
The Building Blocks
Ailing, but very attractive.

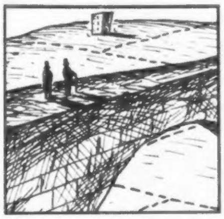
142 Banking:
Smiling Through The Apocalypse
Whatever the future holds in store, small banks are prospering now. Here are four of the healthiest.

148 Companies:
Inter-Regional Financial Group
A white knight in the making.

150 Traveler's Checks:
Visa's Vietnam?
It's been a lot tougher than it looked.

156 Companies:
Quaker Oats Co.
A 43-year-old CEO shakes up a 104-year-old company.

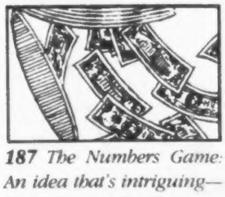
158 Cover Story:
Fidelity Management & Research
The ring is closing. An old New England name—and fortune—are on the line.



***139** Consumer Finance: The industry is bleeding, but everyone, it seems, wants to buy in.*

***142** Small-town Banks: "People have always paid for good service, and they always will."*

***156** Quaker Oats: "If inflation is 10%, our earnings must rise 15%."*



***187** The Numbers Game: An idea that's intriguing—if not downright specious.*

164 Companies:
Fairchild Industries
The old Fairchild might not have survived what the new Fairchild takes in stride.

167 The Streetwalker:
Stockbiz Showbiz
And from an unlikely source. Also: Beware a stock that glows in the dark.

174 Taxing Matters:
Bombed-Out Bond Funds
Some may make dandy tax shelters.

187 The Numbers Game:
How S&Ls Can Hide Their Losses
If the government says it's OK, why don't the accountants say it's OK?

Faces Behind The Figures

191 Howard Putnam,
Braniff International
191 Allen Portnoy,
Ex-FSC Corp.
191 Raymond Dirks,
John Muir & Co.
192 J. Terrence Lanni,
Caesars World
192 Douglas Costle,
Environmental Testing & Certification
193 Warren E. Buffett,
Berkshire Hathaway Inc.
193 Alan Greenberg,
Bear, Stearns & Co.
194 Herbert J. Siegel,
Chris-Craft Industries
194 L.J. Sevin and Benjamin M. Rosen,
Sevin Rosen Management Co.

195 Personal Affairs
Bonefishing: Stalking a spectacular game fish with a fly rod. Also: Will you really save money, time and aggravation flying the new "upstart" airlines? FORBES staffers flew five of them to find out.

210 Statistical Spotlight:
Gold From Dross?
The trouble with picking bargains in the basement, of course, is deciding when you're really in the basement. Here are some bargains from each of the major exchanges and from the mutual funds—*if* the elevator has stopped going down.

Money And Investments

33
What's Ahead For Business
34
The Forbes Index
203
The Forbes/Wilshire 5000 Review

Columnists

221
Ben Weberman
222
Heinz H. Biel
226
Ann C. Brown
230
Stanley W. Angrist
231
Ashby Bladen
232
David Dreman
233
John Train

Departments

6
Side Lines
10
Trends
16
Follow-Through
18
Readers Say
25
Fact and Comment
28
Other Comments
234
Editorial Index
235
Flashbacks
236
Thoughts

Photos:
10, Wide World, 25 bottom, Mitch Kezar/Black Star; 41 left, Harry Mattison/Sygma; 41 right, Diego Goldberg/Sygma; 43, 68, 144 bottom. 146, 150, 152, Bill Kelly; 46, Theo Westenberger/Gamma Liaison; 54, 193 top left, Jim Pickerell; 59, 61, 191 left, Les Wollam; 62, Shelly Katz; 70, Joe McNally/Camera 5; 75, Chuck Rodgers/Black Star; 79, Eiji Miyazawa/Black Star; 82, 159, Steve Liss/Gamma Liaison; 87, 135, 136, Jim McHugh; 96, Eric Smith/ Gamma Liaison; 102, Robin Lawrence; 143, 144 top, Judith Gefter; 149, Stu West; 156, W.M. McMann; 162, Sigrid Estrada; 164, Eric Poggenpohl; 191 right, T. Mike Fletcher; 192, 194 top, Pat Pagnano; 193 top right, Dave Hamilton; 193 bottom, Fred DeVan; 195, 196, Pat Canova/Camera 5

Illustrations:
6, 44, 174, 187, Chas. B. Slackman; 140, 171, Philippe Weisbecker

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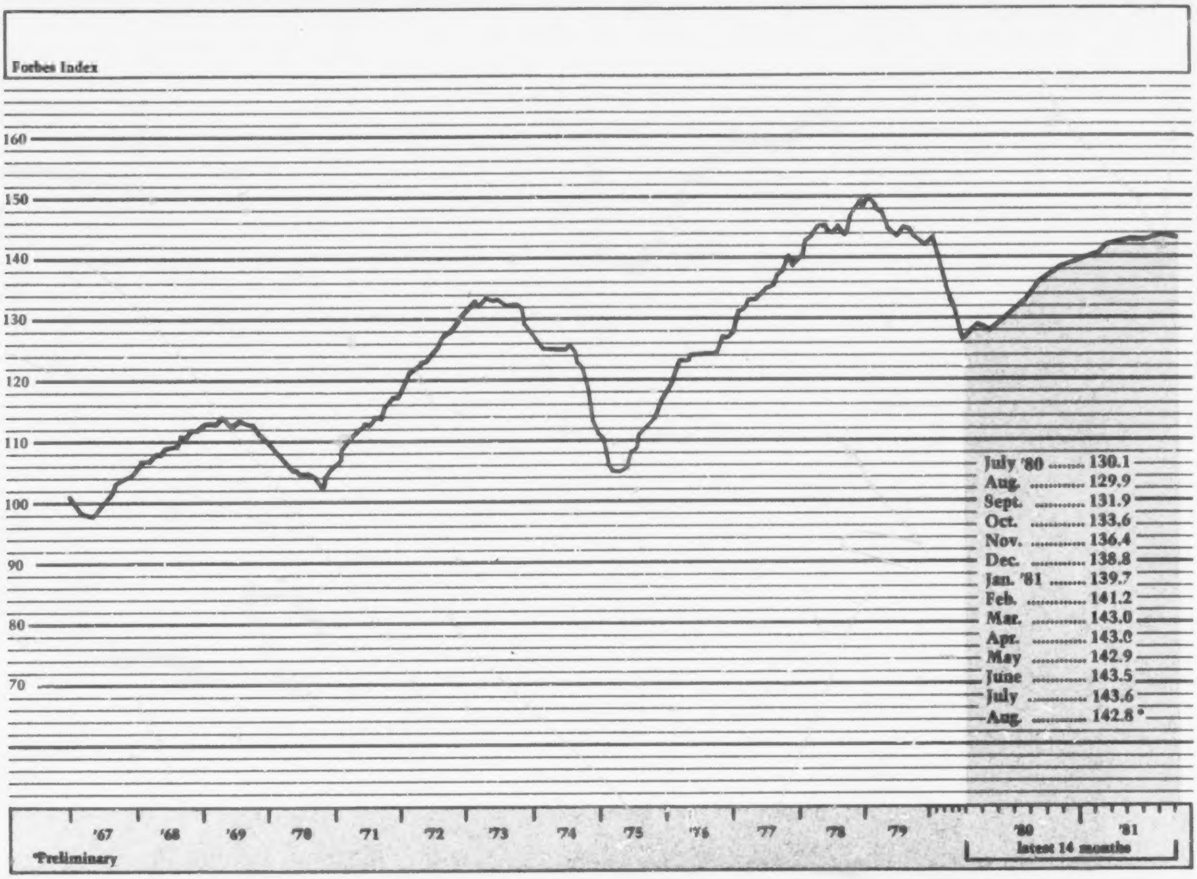
The Forbes Index



The Forbes Index Components

The downturn deepens. The dramatic increase in unemployment claims in August—up 8.1%—was the major cause of a 0.6% drop in preliminary figures for the Forbes Index. If those figures hold, the decrease will be the biggest noticeable drop since March 1980, when the Index began a four-month decline. Other downside indicators: New orders were down, inventories were up, as the pressure of unrelenting high interest rates continued.

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

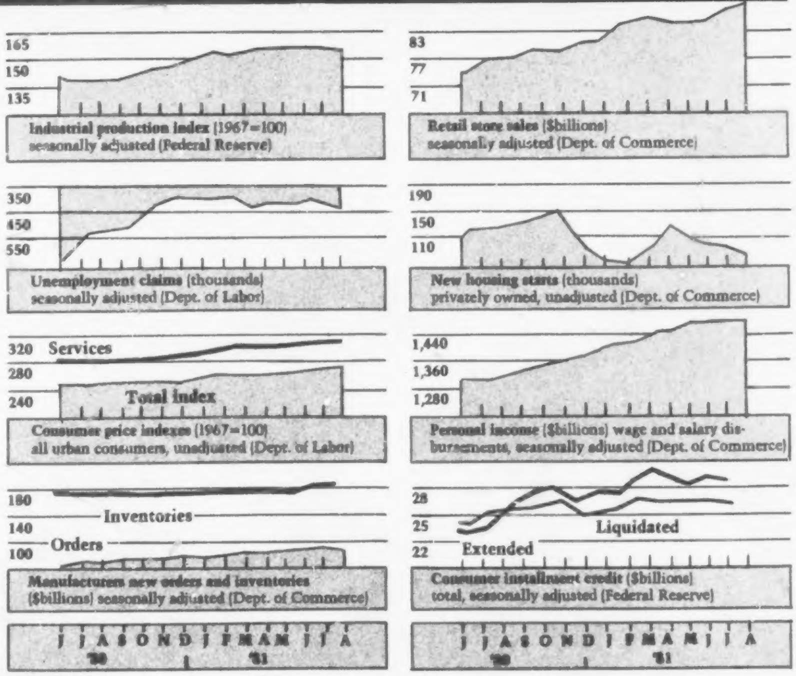
Total retail sales

New housing starts

Personal income

The change in the amount of consumer installment debt outstanding

To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



Industrial production index (1967=100) seasonally adjusted (Federal Reserve)

Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)

Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)

New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)

Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)

Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)

Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)

Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

he expects. If it does, he will recoup the carrying costs of his brick inventories and then some. As he sees it: "It hurts me a lot less to bite a few bullets in bad times than to watch profits go out the window in good times."

Meanwhile, the 30% rise in boot sales and earnings allowed Justin Industries' overall earnings to increase in the period. With Nocona and a new $4 million plant in El Paso, Justin is more than doubling the company's 2,000-pair-a-day capacity.

But isn't that a perilously large expansion for a product that is probably just a fad nationwide? Justin, who sports a pair of $400 ostrich-hide boots himself, and his president, Jerry Brownlee, smile. The Southwest is their market, they point out; they sell 80% of their boots there. "We sell more boots in a west Texas town of 2,000 people than in all of Manhattan," says Justin. "And that suits us."

Their views on the boot expansion are akin to their thinking about bricks. "You cannot just flow with these ups and downs in the market," says Justin. "You have got to exploit them."

Justin Industries has spent $25 million modernizing its brick operations during the current slump. It spent another $2 million in July to buy a small Louisiana brickmaker. Far from being disturbed by brick stockpiles, Justin and Brownlee say their goal is to have a half-year's production, or 500 million bricks, in inventory.

With Justin Industries' debt now approaching 50% of capitalization, John Justin, who owns 728,000 shares, appears to be betting the company on that oft-predicted but ever-receding housing upturn. His response to that observation is as much regional as philosophical: "I know there's a lot of negative talk about the U.S. economy. But I have yet to hear a negative word about the Southwest."

The stock market is, for the moment, unimpressed. After hitting an alltime high of 28 in June, Justin stock recently traded over-the-counter at 17. Not to worry, shrugs Jerry Brownlee: "With the housing upturn, we could be a $50 stock with no problem." The only question is, are Justin Industries' top men prophets, or only true believers? ■

United Parcel Service, in a class by itself on the ground, is now making a thoughtful grab for overnight air business—on its own terms if possible, and maybe on Federal Express' terms if necessary.

The brown giant tries wings

A UPS truck in Blue Label Air service

Will overnight customers go for two-day service on the cheap?

By Carol E. Curtis

MAYBE IF THE U.S. Postal Service looked less awful, Greenwich, Conn.-based United Parcel Service wouldn't look so good. But as things stand, UPS looks first-class. The "brown giant," so called for its ubiquitous brown delivery trucks, moved 1.5 billion small packages last year reliably and efficiently—the average "ticket" was just $2.69 per package—had total revenues of $4 billion, up 70% in four years, and earned $189 million, up 108%. This year, volume is running ahead of 1980's, with revenues and profits expected to be up accordingly.

But another part of the package-moving business—overnight air express—is doing even better these days and UPS is making moves to take a piece of it. Its risk to date is measured and modest, $28 million spent on nine used planes it picked up from hard-pressed Braniff and will use as freight planes. But the risk could conceivably escalate hugely—to as much as $500 million, by some estimates—if UPS has to fight for the business on the competition's terms rather than its own.

UPS' way is, you might say, the labor-intensive way. Essentially UPS is a nationwide system of men and trucks, backed up by terminals, sorting and such necessities. It supported last year's $4 billion sales volume on $700 million in net fixed assets. Presumably, it wants to keep it that way as it goes after the overnight air express business.

But how can you do that if you have to compete against the likes of Federal Express, the biggest in the field, with nearly $300 million invested in its airplanes and equipment?

UPS' answer, for now, is to sell, not overnight delivery, but two-day delivery. Since last year, when trucking deregulation allowed it for the first time to offer its Blue Label Air service to the Midwest, UPS has been actively promoting dependable delivery within 48 hours. UPS is aware of the huge growth of overnight traffic: Federal Express' revenues have been growing at an average 50%-per-year clip for the past five years. But how many Federal Express customers really need *overnight* service? How many of them would settle for two-day delivery if they could save a lot of money in the process? Federal Express will pick up a 10-pound package in Boston on a Monday and deliver it Tuesday in Los Angeles for $42.45. UPS thinks a lot of Bostonians would cheerfully choose Wednesday delivery by its Blue Label service at a price of only $12.44. "Who would turn down savings up to 70% on air delivery?" reads a recent UPS ad.

"We want to reach CEOs and convince them that overnight is being misused," says John W. Alden, a vice president at UPS. "The decision-makers are not educated as to air choices."

Alden maintains that the reason more overnight customers haven't used Blue Label is their lack of awareness that UPS offers air service. "The biggest problem we have," he says, "is getting the message across on two-day delivery."

UPS is spending nearly $1 million this year to promote Blue Label Air. With its minifleet of used jets harnessed to a system of men and trucks on the ground that is second to none, UPS hopes to divert a substantial piece of overnight traffic to its two-day service at bargain rates and get its share of the fat margins available in air express.

Some observers, however, think that UPS is mistaken to think it can convert customers from overnight to two-day service on the cheap. "The two markets are completely separate," says Alfred Norling, an analyst at Kidder, Peabody & Co. "To try and wean shippers from overnight may be a little off the mark."

UPS itself isn't all that sure either. When the current Blue Label ad campaign winds up in November, says Alden, they will take a close look at the success of their strategy. To go the other way and get into the overnight business will prove capital-intensive indeed. The $500 million estimate that one hears mentioned as the price of admission would purchase a large fleet of jet aircraft and finance establishment of a central hub similar to Federal Express'.

But UPS can afford to play the overnight game, if it should come to that. In the 75 years since its founding in Seattle, it has built a balance sheet that is a model of well-heeled conser-

Fly-by-night profits

The company to beat in the overnight delivery business is clearly Federal Express Corp. Federal's revenues in fiscal 1982 should be about $850 million, up 44% from 1980; net income should be $80 million, up 36%.

The three companies that compete with Federal all provide the same basic service: door-to-door, overnight delivery of packages weighing 70 pounds or less. But each has additional strengths. Emery, for example, gets 41% of its revenues from shipping packages heavier than 70 pounds—which Federal Express won't touch—and 31% from Canadian and overseas business. It is also involved in ocean freight, insurance and customs brokerage. Airborne, too, has significant larger-package and international revenues. The bulk of Purolator's package-express business is in the up-to-400-mile range and moves by truck. Purolator also makes auto products, which accounted for 8% of profits in 1980.

Thus far, these companies have grown, not so much by taking market share away from Federal Express as by slipping into its wake and soaring as the concept of overnight delivery took off. Federal, with its own fleet of 56 planes and a reputation for reliable service, will not be easy to overtake. It's the old story of someone seeing an opportunity, and someone else caught napping. "If it had had the foresight to realize the potential in overnight small package delivery," says one analyst, "Emery could have put Federal out of business."

Federal's top rank in small packages bodes well for its near-term profitability—at least if one view from Wall Street is accurate. Says Oppenheimer's Michael Derchin, "While the freight business is very cyclical, the small-package segment seems to be immune from cycles now because it's in an early growth stage."—**Kevin McManus**

Who's who

Company	Estimated 1981 revenues (millions)	Total 1980 revenues (millions)	% from overnight delivery	Total earnings (millions)	Market	1980 return on equity
Federal Express	$850*	$415.0	100%	$38.7	small packages overnight, domestic	28.9%
Emery Air Freight	600	552.7	35	21.6†	small and large packages, international	30.6
Airborne Freight	235	286.6	85	7.9	small and large packages, international	19.9
Purolator	697	561.3	57	13.5†	small packages ground delivery within 400 miles	12.7

*Fiscal 1982, ending May 31, 1982. Revenues for 1981: $589 million. †Includes nonfreight earnings. *Source: Company reports; Standard & Poor's*

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vatism: a mere $7 million in long-term debt against a net worth of $750 million, with $528 million in cash items alone. It doesn't crow about it because it hasn't, until now, had good reason to do so. It's not a publicly traded company; management and supervisors own all but a few shares of the stock. Reporters are rarely invited to the company's headquarters in Greenwich, Conn., an exclusive New York suburb. Chairman and Chief Executive George Lamb almost never grants interviews. Until recently, UPS spent next to nothing on advertising, not least because the well-known problems of its biggest competitor, the Postal Service, made advertising largely unnecessary.

One way or the other, UPS is not likely to ignore the overnight express market. Despite the huge growth it has seen, margins remain so high that even the U.S. Postal Service is making money at it *(see box, p. 68)*. "With or without one-day delivery," says Paul Schlesinger, who follows the industry for Donaldson, Lufkin & Jenrette, "UPS will be making life more difficult for everyone." ■

The post office fights back

If you are doing business in Boston and you must get a 10-pound package to Los Angeles tomorrow, you probably think of calling Emery Air Freight or Federal Express. But there are alternatives, among them the U.S. Postal Service. Its Express Mail, Uncle Sam's answer to overnight delivery, guarantees next-day delivery (or your money back) of your package from a Boston post office to a Los Angeles address for $20.55—about half the cost of Federal Express.

What's more, the post office is making money at that rate—lots of it. Since Express Mail became a separate class four years ago, it has been highly profitable for the USPS, often surpassing first class. According to Robert Becker, a spokesman for the Postal Service, for every dollar it costs to run it, the Express Mail service is generating $2.39 in revenue. Express Mail volume grew from 8 million letters and parcels under 70 pounds in 1978 to 17.5 million last year, while revenues climbed from $89 million to $184 million in 1980.

There are disadvantages, however. Although the Postal Service has so far installed 826 special Express Mail-only boxes in the business districts of large cities, they can take small packages only. Larger parcels must still be taken to the post office (unless you can get your regular carrier to pick them up). More important, you can't get overnight Express service at most post offices even if you take the package in yourself. Only about 3,500 of the Postal Service's 30,000 post offices have next-day service, meaning it is readily accessible mostly in larger cities.

And, of course, if you can live with *two*-day delivery, there's United Parcel Service's Blue Label Air service at $12.42 for 10 pounds, or $8.13 less than Express Mail's overnight.

Clearly, though, Express Mail may provide some viable competition in overnight delivery if the Postal Service can expand it to more of the country while improving its image for reliability. Judging from its success so far, in fact, it may be one of those rare cases where Uncle Sam's old dog learned a new trick.—C.E.C.

FOR DEPOSIT OF PREPAID EXPRESS MAIL ONLY
DEPOSIT EXPRESS MAIL ONLY

Express Mail-only box
Old dog, new trick.

there are four different proposals pending in Washington to aid the New Jersey-based holding company.

Hold it! The EEI recommendation may never be carried out. There is no guarantee ratepayers will pay anything soon for the cleanup, and the Reagan Administration has abandoned GPU to its fate. Says Evan I. Silverstein, a utility analyst at L.F. Rothschild, Unterberg, Towbin: "You can't say the solution is here."

Indeed you can't: The EEI recommendation is just that, a recommendation. While there is talk in Washington of making it mandatory, that idea quickly becomes a states' rights issue, since state officials usually determine utility rates. Another bright light that may fade is the return to service of TMI I, the undamaged twin to the TMI II reactor.

TMI I was closed for refueling when the accident occurred 31 months ago and the U.S. Nuclear Regulatory Commission has kept it out of service ever since. GPU expects the Atomic Safety & Licensing Board, an advisory group to the NRC, next month to recommend restarting TMI I. The unit could be producing power early next year. The net savings to GPU of replacing purchased oil- and coal-fired power with nuclear-generated electricity from TMI I would be about $32 million a year. That savings could go to fund the cleanup, with electric rates remaining at their current level. But the New Jersey and Pennsylvania state boards have received angry letters and phone calls from unhappy GPU customers, and passing that $32 million savings on to them could ease the pressure. It would, however, dissipate the money needed to help with the cleanup.

Meanwhile, GPU has $113 million in debt coming due in August 1983 and has no present way to pay it. GPU's accident insurance runs out at about the same time the debt is due and still to be addressed is the fate of TMI II, once it is decontaminated. Estimates are it would take $430 million to return it to service, once the $1 billion cleanup is done. The Reagan Administration has made clear it does not want to be part of anything that smacks of a bailout.

For the immediate future, GPU can remain solvent by drawing on its $200 million revolving credit agreement and additional rate hikes, which for the most part go to pay replacement power costs. "There is now a reasonable balance between the banks and the regulators," says J. Christopher Young, senior vice president of Donaldson, Lufkin & Jenrette Securities Corp. He's right, but balance only deals with GPU's immediate problems.

"While GPU is more stable and some of its short-term problems have been resolved, it still faces an abundance of problems that could, at any time, force insolvency," says Anthony May, vice president and manager of fixed-income research at Rothschild. "It's a schizophrenic situation." Be wary, contrarians. ■

Taxing Matters

How the worst hit bond funds could become the most attractive tax shelters.

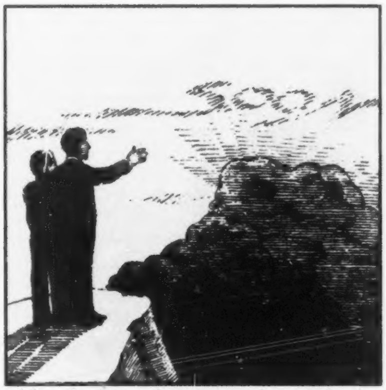
One man's poison

By Jay Gissen

THE CARNAGE IN BOND FUNDS is enough to make you avert your eyes. But perhaps you should not avert them. . . if you do not mind turning another fellow's losses to your own advantage.

At the moment, most of those bond funds are mouth-watering tax shelters for the outsider who believes interest rates are headed south. That's because bond funds, like stock funds, are allowed to offset capital gains with previously realized losses for up to eight years after the loss is incurred. So if interest rates fall and bond prices rise, a fund with large realized losses will be able to plow the resulting capital gains right back into the portfolio tax-free until the day when the shareholder liquidates.

The person who has been in the bond fund all along may hate those realized losses since that is money he will never see again. But for the newcomer those losses offer a wide-open invitation to tax deferral. The 100 bond funds already have something like $1 billion in combined realized losses. Then there's another possible $2 billion in unrealized losses—the aggregate decline in value of bonds in the portfolio that have not yet been sold at a loss. At least some of that $2 billion is likely to be sold off at a loss at some future date, thus generating



additional tax-loss carryforwards for the newcomer. "There's plenty of cushion there for gains," says Vice President Charles Smith of T. Rowe Price in a marvel of understatement.

One of the most common ways that unrealized losses are translated into realized losses in bond funds is by means of a swap. A $100 million face amount bond that has declined in value to $50 million can be exchanged for a $50 million face amount bond, presumably bearing a higher interest. In that way a bond fund generates valuable carryforwards and upgrades its portfolio at the same time.

Curiously, the bond fund losses are so huge that they threaten to turn the funds into a new type of instrument. In the past a bond fund that had a capital gain and no tax-loss carryfor-

Comforting realizations

The larger a bond fund's realized losses—shown below for 20 of the largest funds—the more future income that fund can shelter when interest rates turn down. Naturally, some unrealized losses can be converted into tax-loss carryforwards as well. If anything, the amounts below understate the total tax-loss carryforwards to date because losses for some of them have mounted since the funds last reported.

Fund name	Assets as of 6/30/81 (millions)	% change 1981 vs 1980	Losses realized (millions)	Losses unrealized (millions)	as of
American General Bond Fund	$160.3	-15.9%	$11.0	$ 34.0	8/31
American General High Yield Investments	234.6	-6.6	29.5	42.1	8/31
Bond Fund of America	164.7	-8.7	23.6	.5	6/30
Colonial Income Fund	160.1	-23.4	74.3	42.2	9/30
First Investors Fund for Income	569.2	-2.3	4.1	98.1	6/30
IDS Bond Fund	533.2	+11.1	13.4	107.2	2/28
InterCapital High Yield Securities	167.5	-16.4	1.3	12.6	2/28
InterCapital Income Securities	137.7	-17.6	8.2	4.3	6/30
Investors Selective Fund	517.8	-10.3	56.3	125.6	5/31
John Hancock Bond Fund	286.6	+9.2	5.7	88.1	6/30
Keystone Custodian Funds B-4	383.2	-8.3	5.6	56.8	7/31
Lord Abbett Bond Debenture Fund	174.5	-9.2	—	22.2	6/30
Massachusetts Financial Bond Fund	172.3	-6.0	6.7	25.8	8/31
Massachusetts Financial High Income Trust	120.8	+36.5	5.4	12.3	8/31
Merrill Lynch Corp Bond Fund High Income	232.7	-13.6	13.0	25.0	9/30
Oppenheimer High Yield Fund	117.5	+2.9	13.7	28.3	9/30
Putnam High Yield Trust	275.0	+2.5	43.8	31.9	8/31
T Rowe Price New Income Fund	352.1	-10.3	46.1	26.8	6/30
United Bond Fund	218.4	-17.1	59.2	59.5	6/30
United High Income Fund	160.8	+55.2	—	6.5	3/31

capital gain and no tax-loss carryforward generally paid its shareholders a capital gains distribution. But now, with such enormous carryforwards, it scarcely makes any sense to pay shareholders a capital gains distribution on which they can be taxed. Why not simply keep those gains in the portfolio where they are sheltered from tax? If that happens, you get a strange thing: a growth-bond fund. "Until recently people invested in bond funds for the income stream," says Steven Norwitz, a vice president with T. Rowe Price. "Now they may be looking at them for potential capital appreciation."

Not everyone is going to be happy about that, to be sure. "A lot of people like to get the extra income even though they pay taxes on it," says Warren Greene, president of American Investors. That is particularly true now, with the capital gains tax down from 28% to 20%. But some bond fund men tend to look upon it as their sacred duty to protect their shareholders from themselves. Says Charles Morgan, senior vice president of Keystone Custodian Funds, "The advantage [of the carryforwards] is that the investor doesn't get a capital gain distribution, pay tax on it and then go waste it."

Which of the 20 giant bond funds listed here look most attractive as tax shelters? Although both unrealized losses and realized losses are lumped together in calculating daily share prices, those funds with large realized losses, such as Colonial Income, Investors Selective and United Bond, offer the better bet. Obviously, as interest rates fall, some of those unrealized losses are going to erode. That may please the long-term shareholder, but it will certainly not please you, the tax-shelter seeking newcomer. So InterCapital High Yield Securities probably will not be your first choice.

Of course, if you are a pessimist and you think that interest rates are going to remain stuck where they are or climb even higher, then look not for opportunity in this valley of the fallen.

Can you beat a pair?

About a year ago, Forbes reported a growing interest in so-called Siamese shares, a device that could cut a corporation's taxes to zero. It looked too good to be true. Now Treasury, protecting its hold on these tax dollars, is getting ready to torpedo the device, and the pioneer in paired shares—Sea Containers Group—is preparing to abandon ship.

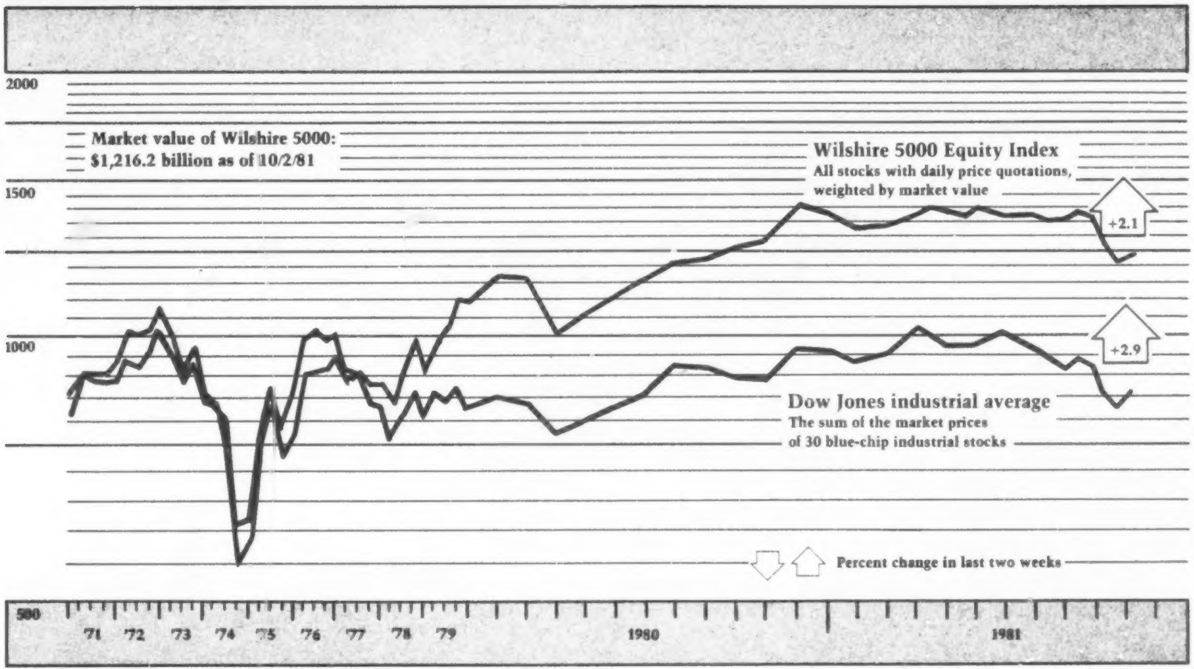
Briefly, the scheme works like this: A parent company separates out a subsidiary and gives it to its shareholders. The spinoff is based in a tax-free, non-U.S. spot such as Bermuda. The two companies share the same stockholders and president. And that's not all they share. All the taxable income is lumped in the spinoff and any tax losses are given to the taxable parent company. Frequently, the two issues of stock—formerly parent and sub—are actually printed back to back; thus the name "Siamese shares" or "paired shares."

Companies that tried the technique grew to love it, but the IRS grew to hate it. So, soon after the paired-share gambit became popular, the IRS stopped issuing letter rulings for the common paired-share REITs. Next, Representative Dan Rostenkowski (D–Ill.) introduced a bill that would have considered both parent and spinoff as U.S. companies and thus totally taxable. The Rostenkowski bill died, but now the boys at Treasury are getting set for what they hope is the final assault—their own death-to-paired-shares bill.

The company that originated the use of the technique, Sea Containers, is already sounding retreat. President James Sherwood's tough talk of last year—"The IRS has absolutely no power"—is gone, and the company is making preparations for splitting the Siamese-twin shares—de-pairing—should that become necessary. That would make it impossible to move profits out of the country and thereby avoid taxes.

Back to the tax shelter drawing board.—**Jeff Blyskal**

The Forbes/Wilshire 5000 Review



Is it for real? The battered market had a reprieve in late September and early October, with a 2.1% two-week rally erasing some of the losses the Wilshire Index has suffered since June. The rally so far is unconvincing. It has erased only a small fraction of the $183 billion that has melted off the all-encompassing index this summer; NASDAQ stocks have sat out the rally; and the recovery in the ASE index was unpersuasive. In a major sense, the upward movement was a blue-chip, DJI-type rally.

But, of course, all rallies are incomplete and unpersuasive in the early stages. Time alone will tell. Favoring the bulls are the market's extremely low price/earnings ratios—7.7 for the S&P's 500. This is close to the ratio that prevailed at the bottom in 1974. But favoring the bears is the fact that most corporate earnings are turning soft and that competition from bond yields remains severe. Could we have a rising market in spite of declining earnings? Could P/E ratios rise on prospects of a lower inflation rate? William J. Gillard, Kidder Peabody's astute analyst, thinks the prospects are good that this could happen, that P/Es will improve and swing the market over to the bull side. Other analysts are not so sure. They argue that it is tough for a market to buck falling earnings. The puzzle is this: Was the rally in the Dow stocks the preliminary to a broader rally? Or was the failure of the secondary stocks to follow a sign that the rally did not have much steam behind it?

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	–1.6	–0.1	–1.0	–8.8	–2.8
in last 52 weeks	–8.0	–9.5	–7.9	–9.6	–4.7

Stock performance based on five key investor yardsticks

Percent change	Volatility*		P/E multiple		Dividend yield		Growth profile†		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	–2.6	–2.0	–4.2	–3.5	–1.4	–3.5	–3.4	–2.0	–2.1	–3.4
in last 52 weeks	–4.8	5.7	–9.7	–0.2	–0.2	1.4	–3.2	2.6	–7.8	5.3

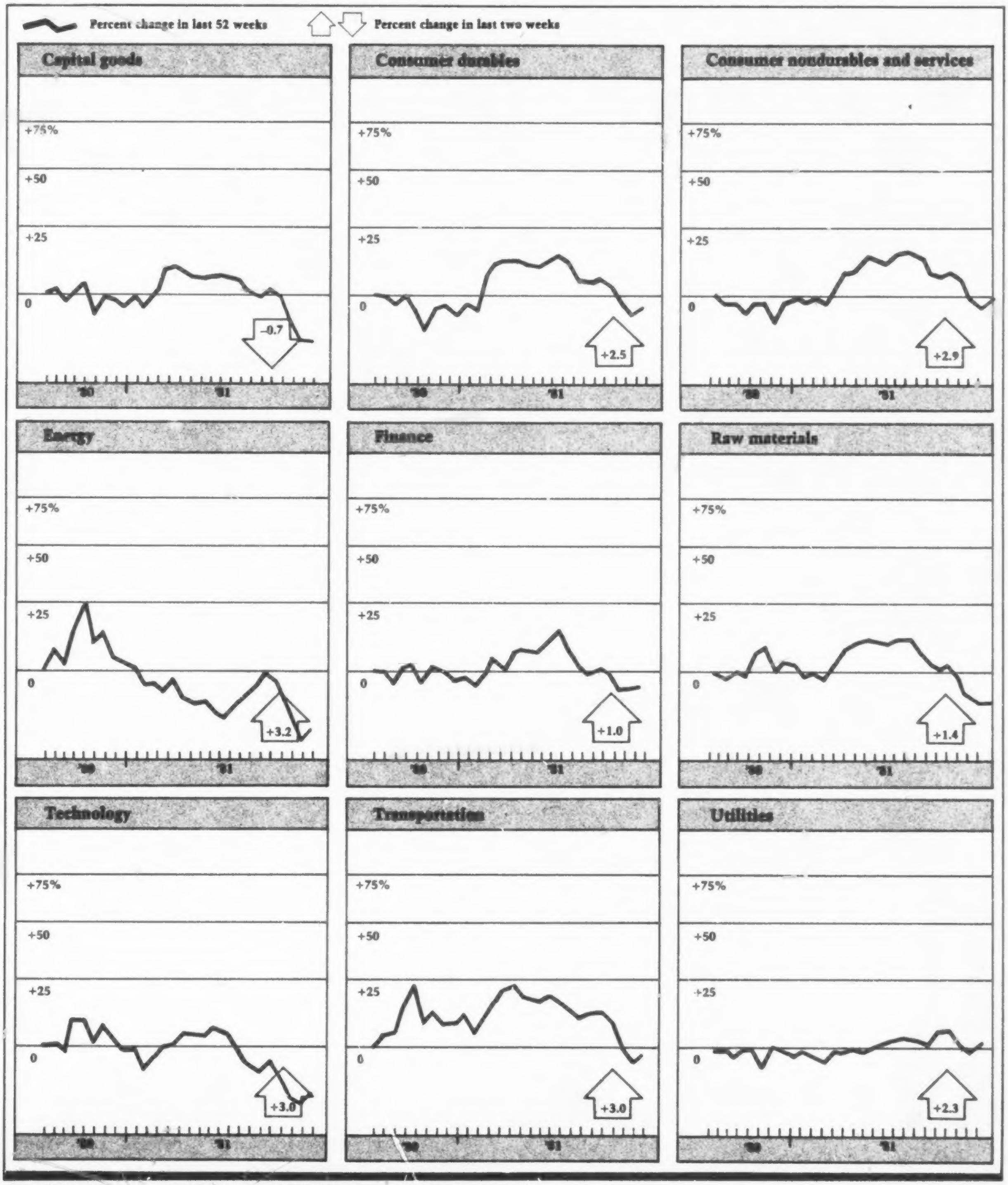
* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 10/2/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Not gloomy enough? Encouraging was the fact that most industries participated in the rally even if all markets did not. The battered energy stocks showed the largest gains and only capital goods declined: The persistence of tight money seems to doom capital goods prospects for the immediate future. The utility stocks did well, continuing the relative strengthening they have shown all summer; extremely interest-sensitive, the utility stocks perform relatively well when interest rates show signs of topping. Technology and transportation also looked good. It remains to be seen though whether we are witnessing a major turnaround or just a rally in a bear market. Unfortunately, the gloom does not yet seem pervasive enough to identify a major bottom.



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